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*Organ of the Indian Economics Association*

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# INDIAN JOURNAL OF ECONOMICS

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## DEFICITS AND SURPLUSES IN THE ACCOUNTS OF THE EAST INDIA COMPANY

BY

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An historical treatment of the income and expenditure of India during the early years of British rule is liable to be rendered to a large extent misleading by a number of causes. In the first place, the acquisition of territories by the East India Company was made piecemeal. The accounts of the earlier periods thus related to territories which were smaller in extent than those of later periods. Secondly, the imposition of fresh taxes or the remission of existing ones often caused an expansion or contraction of income independently of other factors. Thirdly, changes in the system of keeping accounts took place on several occasions, rendering comparison difficult. Lastly, there were current in India several descriptions of coins of different values; and this fact along with the variety in the rates of exchange between England and India introduced great complexity into converted accounts. It is essential to bear these facts in mind, in order to avoid error in the work of comparison.

So long as the Company was not possessed of any territories, the charges of their several Presidencies were defrayed out of the small revenues then collected at each settlement. These charges were at that time such as were necessary for the purposes of the Company's trade, and were small. The revenue derived by the Company from Bengal during the four years 1761-62 to 1764-65 immediately preceding the grant of the *dewani* averaged £655,158 a year, while the average expenditure was £683,301. The average revenue and

expenditure of the Madras Presidency during this period were £ 191,731 and £ 403,025 respectively. Bombay showed a revenue of £ 69,713 and an expenditure of £ 229,709. Each of these Presidencies thus worked at a deficit. The budget of Bengal was very nearly a balanced one, while the deficiencies in the other Presidencies were large.

The acquisition of the *dewani* in Bengal completely changed the situation. The revenue and expenditure in Bengal during the six years after this event were as follows :

	Revenue £	Expenditure £
1765-66	1,681,426	1,210,360
1766-67	2,550,094	1,274,093
1767-68	2,451,255	1,487,383
1768-69	2,402,191	1,573,129
1769-70	2,118,294	1,752,556
1770-71	2,009,984	1,732,088

The accounts of the Madras Presidency stood as follows :

	Revenue £	Expenditure £
1765-66	249,115	371,462
1766-67	386,817	551,515
1767-68	331,633	553,323
1768-69	374,702	880,687
1769-70	510,347	603,408
1770-71	578,534	585,129

The Bombay accounts were on a still smaller scale, as will appear from the following figures :

	Revenue £	Expenditure £
1765-66	70,133	205,831
1766-67	75,809	249,747
1767-68	79,697	268,057
1768-69	85,406	318,601
1769-70	75,635	395,481
1770-71	69,462	401,629

It will thus be seen that while there were substantial surpluses realised in Bengal, both Madras and Bombay had large deficits. The Bengal surpluses were utilised in making good the deficiencies of the other provinces, in meeting the expenditure incurred in Bencoolen and St. Helena, and in purchasing investments. The financial position of Bengal was prevented from becoming strong. Before Clive left India, the situation had become "fraught with the elements of future difficulty," and within a year of his departure, financial distress began to manifest itself. In 1768, Governor Verelest wrote: "The great demands which have been made on this Presidency from every quarter have reduced your treasury to a very low state, and alarm us for the consequences which must inevitably attend such a vast exportation from this country." It should be remembered in this connection that the political and commercial accounts were not kept wholly separate, and charges of a commercial character were often met out of territorial revenues. The result was that in all the Presidencies the cash balances fell below the standard required for meeting the demands upon the treasury, while in Bombay and Madras the bond debt tended continually to swell.

In 1770, there occurred in Bengal one of the most dreadful famines known to history, "a calamity by which more than a third of the inhabitants of Bengal were computed to have been destroyed." The revenue realisations however, did not fall much below those of the previous year.

The financial position of Bengal during the next eight years may be gathered from the following figures<sup>1</sup>:

	Net Revenue £	Expenditure £
1771-72	2,373,650	1,705,279
1772-73	2,327,137	1,759,271
1773-74	2,481,404	1,488,435
1774-75	2,823,964	1,212,890
1775-76	2,966,387	1,161,621
1776-77	2,784,502	1,073,216
1777-78	2,567,452	1,388,978
1778-79	2,687,657	1,696,622

1. Vide Fourth Report of the Committee of Secrecy, 1782.

The revenue and expenditure of the Madras Presidency was as follows<sup>1</sup> :

	Net Revenue £	Expenditure " £
1771-72	558,860	407,446
1772-73	529,233	309,138
1773-74	524,762	407,144
1774-75	503,629	454,589
1775-76	514,591	345,867
1776-77	563,349	533,182
1777-78	283,198	485,830
1778-79	494,208	803,924

The accounts of the Bombay Presidency stood as follows<sup>2</sup> :

	Net Revenue £	Expenditure £
1771-72	75,475	410,853
1772-73	85,975	384,816
1773-74	109,163	347,387
1774-75	128,516	419,562
1775-76	227,164	372,952
1776-77	249,915	360,779 <sup>3</sup>
1777-78	249,857	364,373
1778-79	229,558	510,891

These figures show that in each of these eight years there was a large surplus in Bengal, the total amount of the surpluses being over eight and a half million pounds sterling. In Madras, there were surpluses in six of these years, while two of them exhibited deficits. The net result was a surplus of £224,710. The position of Bombay was throughout this period one of deficit, the total figure amounting to £1,814,890. This deficiency of revenue was made good by means of aids received from Bengal, the total amount of which was £1,852,527<sup>4</sup>.

<sup>1</sup> Vide Fourth Report of the Committee of Secrecy, 1782.

<sup>2</sup> Ibid.

<sup>3</sup> A portion of the military charges incurred in Tanjore was omitted in the accounts for 1776-77.

<sup>4</sup> Vide Fourth Report of the Committee of Secrecy, 1782.

The amounts of aid received year by year from Bengal were as follows : 1771-72 £233,879 ; 1772-73, £161,932 ; 1773-74, £164,926 ; 1774-75, £340,219 ; 1775-76, £293,441 ; 1776-77, £184,022 ; 1777-78, £213,101 ; 1778-79, £181,460. Aids were also received during the years 1779-80, 1780-81 amounting to £273,547, £111,738 respectively.

The bond and other debts in the three Presidencies during this period were as follows :

	Bengal C. R.	Madras Pagodas <sup>1</sup>	Bombay Rs.
1771-72	1,603,3000	2,89,209	
1772-73	1,927,7251	3,37,078	
1773-74	2,131,3281	1,96,059	23,23,798
1774-75	1,777,4455	1,81,632	26,62,793
1775-76	1,305,4854	1,38,933	35,35,449
1776-77	986,0179	1,42,533	31,90,090
1777-78	1,017,3577	1,48,900	35,91,453
1778-79	1,056,5210	2,94,254	52,79,161

The administration of the country was during all these years, except the first, under the control of Warren Hastings. He gave a very flattering picture of his own achievements in the realm of finance. "When I took charge", he wrote, "of the Government of Bengal in 1772, I found it loaded with a debt at interest of nearly the same amount as the present; and in less than two years I saw that debt completely discharged, and a sum in ready cash of the same amount actually accumulated in store in the public treasuries."<sup>2</sup> This boastful claim, as the historian points out, was not wholly based on facts. No improvement had taken place in the productive powers of the country. There was a slight improvement in the net revenue, which might in part be ascribed to the measures adopted by the previous administration. In the expenses of the civil and military services, instead of any retrenchment, there had been an actual increase. Mill is, therefore, right when he observes: "It thus abundantly appears, that nothing so important as to deserve the name of improvement had arisen in the financial administration of the company. A pecuniary relief had indeed been procured, but from sources of a temporary and very doubtful description; partly from the produce of the bills drawn in such profusion upon the Company, by the predecessors of Hastings; partly from the reduction of the allowance to the Nawab of Bengal from thirty-two to sixteen lakhs; but chiefly from the plunders of the unhappy Emperor of the Moguls, whose tribute of twenty-six lakhs per annum

<sup>1</sup> Two and a half pagodas were equal to one Pound sterling.

<sup>2</sup> Vide Hastings, *Memoirs*, 1786.



for the *dewani* of Bengal was withheld, and whose two provinces of Corah and Allahabad were sold for fifty lakhs to the Vizier; from the sale of the Rohillas, the extirpation of whom was purchased at forty of the same eagerly coveted lakhs; and from the pay and maintenance of a third part of the troops, which were employed in the wars and dominions of the Vizier."<sup>1</sup> As for the debt, there had been only a slight reduction in the total amount.

The remaining period of Hastings's administration was one of financial difficulty. Bengal's revenues, as usual, were more than sufficient to meet her expenditure. But year after year, she was called upon to meet the deficiencies of the other Presidencies and to finance most of the schemes of conquest. In 1780, Sir Eyre Coote, the Commander-in-Chief, wrote to the Governor-General and to his Council informing them that the treasury at Madras was empty and that "by the nearest computation he could make, the future disbursements at Fort St. George would rather exceed seven lakhs of rupees per month, every *courie* of which must come from Bengal, as he found there were no resources there, from which a single pagoda could be expected." In a letter to the India House, the Commander-in-Chief lamented the necessity there was of "both the army and inhabitants, in the state in which the country then was, maintained chiefly by supplies from Bengal."<sup>2</sup> At last, the various wars into which the country had been plunged by the ambitions of the Company's principal agents and the inordinate demands of the other Presidencies, brought Bengal very near a financial disaster. The belief that the revenues of Bengal were "an inexhaustible fund upon which the other Presidencies might draw without limit" no longer proved true. In the concluding year of Hastings's administration there was a deficit amounting to a million and a half pounds sterling, and for the following year, another deficit of a similar amount was estimated. The treasury was exhausted and public credit was at the lowest ebb.<sup>3</sup>

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1 Mill, History of India.

2 Vide Fourth Report of the Committee of Secrecy, 1782. The Select Committee wrote to the Directors in 1780: "They can place but little dependence on any resource but that of Bengal, for carrying on the war; and as to the expenses of the civil department, they have slender hope of procuring any answer from any quarter."

3 Warren Hastings did not deny that there was a loss of public credit, but he explained: "The want of credit, as it is falsely called, in Bengal, is not, as the term implies, a want of confidence, but of means in those who were the creditors of our treasury." Memoirs, 1786.

Macpherson, immediately after taking charge of the administration as Acting Governor-General, wrote to the Directors : " The public distress was never so pressing as at this moment. The season of the heavy collections is over ; the demands of Madras and Bombay are most pressing, and our arrears for the army are upwards of fifty lacs. '"

Macpherson took immediate steps to meet the situation. He used the cash in the treasury to pay the troops. As a substitute to the deficiency of specie he issued certificates bearing interest at 8 per cent. per annum until redeemed. He supervised the collection with great care. He also pursued a vigorous policy of retrenchment and succeeded in effecting a reduction in the establishment charges amounting to £ 1,200,000.<sup>1</sup>

In 1786, the instructions of the Court of Directors to the Bengal Government enjoined strict economy. The total revenue of the British possessions in India in the year 1785-86 was £ 5,250,153. The largest share of it, amounting to £ 4,527,283 was raised from Bengal ; Madras came next, with £ 588,524 ; while the contribution of Bombay did not exceed £ 134,346."

The moderation and wisdom which marked the character of Cornwallis were reflected in his financial administration. From the very beginning he followed a policy of economy and retrenchment. He introduced many reforms and saved large sums " upon the salt upon the various contracts, upon remittances upon balances, and jobs of various kinds." As a measure of retrenchment, Cornwallis suggested the almost entire abolition of the Bombay establishment, but the authorities in England did not agree to the purposal. In one of his letter to Henry Dundas, he wrote : " I flatter myself that when you read the despatches you will think I have done a great deal and that I have been an economist in the true sense of the word." He did not, however, see eye to eye with the Directors on the question of economy and observed with some amount of bitterness ! " If the essence of the spirit of the whole Court of Directors

<sup>1</sup> Letter dated the 4th March, 1785, quoted in G. W. Forrest Selections from State Papers : Lord Cornwallis, Vol. I, p. 7.

<sup>2</sup> Vide Forrest, Selections from State Papers, Lord Cornwallis, Vol. I. p. 8. Cornwallis however, says " Their whole conduct and all their pretensions to economy except in the reduction of salaries, was a scene of delusion." Ross, Cornwallis correspondence, Vol. I, p. 227.

could be collected, I am sure it would fall short of my earnest anxiety on that subject.<sup>1</sup> ”

The quinquennium 1886-87 to 1891-92 witnessed a slight increase in the revenue. During this period Bengal showed an aggregate surplus of over ten million pounds sterling. But in Madras there was an aggregate deficiency of no less a sum than twelve millions. Nor was Bombay far behind Madras, her aggregate deficit during this period amounting to about ten million pounds<sup>2</sup>.

On the occasion of the renewal of the Charter in 1793, an enquiry was made about the Company's resources, both political and commercial, and a careful calculation of future income and expenditure was made on the basis of the practical experience of past years. A line was drawn for the distribution of the expenditure in India, for the expenses of administration as well as the interest on debt. A principle was also established for the application of the surplus revenue.

During the period 1792-93 to 1796-97, when peace reigned throughout the country, annual surpluses were exhibited, the aggregate amount of which was £ 5,637,588. These surpluses, it should be remembered, were realised in spite of the increase in expense caused by the judicial and administrative reforms of Cornwallis. No small measure of credit was, therefore, due for this satisfactory state of things to the mild and economical rule of Sir John Shore. But the arrival of an “expensive and ambitious ruler” in the person of Lord Wellesley, entirely changed the situation. The “scene of war and conquest” which followed his assumption of office resulted in annual deficits, the total of the five years ending in 1801-2 amounting to £ 2,743,952. But Wellesley's warlike administration was not the sole cause of the financial trouble.

Early in his career as Governor-General of Bengal, he sent home a Minute exhibiting the financial state of the country. He pointed out that in the course of the year 1798-99, there was apprehended a total deficit of 2,13,81,321 *sicca* rupees in the three Presidencies. As for the causes of the deficiency, the Governor-General showed

<sup>1</sup> Letter dated August 26, 1787 Ross, Cornwallis Correspondence.

<sup>2</sup> Vide Report of the Committee appointed by the Court of Directors of the East India Company, 1793.

that the sums appropriated in India to the purposes of investment and commercial charges amounted to 4,96,15,165 current rupees in the two years 1796-97 and 1797-98. "This annual demand", he said, "for the purpose of investment upon a scale so far exceeding the annual means of the three Presidencies was the principal cause of the deficiency." But some of the other causes were no less important. These were to be found in the increase of the civil and military establishments of all the Presidencies, in the expenses incidental to the acquisition and maintenance of the various conquests in India and the intended expedition against Manilla, in the partial failure of certain branches of the ordinary revenues, and, finally, in the heavy addition to the public debt under the accumulated pressure of a high rate of interests and of the obligations contracted for the annual discharge of large portions of the principal. Much the greater part of the additional expenditure was, in the opinion of Wellesley, of a permanent character and a comparatively small proportion was temporary.<sup>1</sup>

An additional cause of the growth of expense might be traced to Wellesley's policy of encouraging the desertion of the officers and soldiers of the Mahratta princes. As large numbers of these came over to the Company's service, the military expenditure considerably increased. The Governor-General subsequently made an attempt to relieve the financial burden by reducing the regular troops. But the actual steps taken by him in this direction did not go very far.

Two expedients were adopted to meet the financial difficulty, namely, first, the raising of a loan, and secondly, a recommendation to the Court of Directors to send increased quantities of British manufactures to Bengal and Bombay and an annual supply of silver bullion to Bengal to the extent of fifty lakhs. A reduction of expense was attempted, but the Governor-General raised his warning voice against that species of "improvident" economy, which in this country, above all others, would "ultimately prove real profusion and the source of every abuse."

A Committee was appointed for the purpose of considering the questions of retrenchment and augmentation of the revenue. The latter course, however, presented a peculiar difficulty, as the land-

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1. Minute of the Governor-General, dated 12th June, 1798.

tax had been fixed in perpetuity. Some improvement was however, looked for in the receipts from customs, stamps and spirituous liquors. The Governments of Fort St. George and Bombay were also asked to revise their civil and military establishments on the same principles as might be adopted in Bengal, and to regulate the various branches of their revenue in a similar manner.

The annual deficit ceased with the return of peace. There was a surplus of somewhat less than a million pounds sterling in 1802-3. But the deficit reappeared in the following year, and continued steadily to increase till 1806-7. The deficiencies in these years were: 1803-4, £ 1,428,076; 1804-5, £ 1,537,951; 1805-6, £ 2,258,600; 1806-7, £ 3,152,322. The consequences of war during this period were thus far more severe than in the former period.

The arrival of Cornwallis for the second time gave some hope of retrieving the financial position. Immediately after taking office, he apprised the Directors of the extreme pecuniary embarrassments in which he found the government involved. "Every part of the army," he wrote, "and every branch of the public department attached to it, even in their present stationary positions, are suffering severe distress, from an accumulation of arrears; and if unfortunately, it should become indispensably necessary to put the troops again in motion, I hardly know how the difficulties of providing funds for such an event are to be surmounted."<sup>1</sup> He directed his attention to the improvement of the finances, but death overtook him before all his plans could be carried into execution.

The peace which Cornwallis had succeeded in restoring enabled his successor, Sir George Barlow, to adopt a rigorous policy of real economy. He reduced military charges by disbanding the irregular troops, and effected retrenchment in almost all the departments of administration. He also urged the Bombay and Madras Government to "establish a system of the most rigid economy through every branch of the civil and military expenditure," and enjoined them "to abrogate all such charges as were not indispensable to the good government and security of the provinces under

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<sup>1</sup> Letters from Marquis Cornwallis, printed 1808, quoted in Mill, *History of India*, BK. VI, Ch. XIII.

their control." By these means Barlow succeeded in reducing Indian expenditure by a substantial amount, and in nearly wiping out the deficit which had now become almost chronic in the financial system of India. The deficiency of revenue was £ 309,122 in 1807-8 and £ 26,042 in 1808-9.<sup>1</sup>

If we now compare the financial position of India in the year 1792-93 with what it was in 1808-9, we find that the revenue increased during the interval in a most remarkable degree, that is, by £7,299,427. But charges increased even to a greater extent, namely, by £8,650,621. Thus a less favourable result was exhibited in the sum of £1,244,620. The increase in revenue was due to three principal causes, namely, first, normal expansion under almost all the heads, secondly, levy of fresh taxes, and thirdly, acquisition of fresh territory. The growth of expenditure was attributable to the increase in charges of collection and administration, the additional supplies to Bencoolen, the growth of interest paid on debt, and the increase in military expenditure.

It is worthy of note in this connection that during this period of seventeen years, the revenues of India were with the exception of only one year, more than sufficient to cover the immediate charges of administration. As a matter of fact, surpluses occurred in sixteen years, and there was a very small deficit in only one year, namely, 1805-6, the year in which the charges in connection with the Marhatta war bore with unusual pressure. But the supply to Bencoolen, Penang, St. Helena, etc., and the large amount of interest on debts converted the surpluses of eleven of these years into deficits. Taking all the items of expenditure into consideration, we find that during the whole period 1792-93 to 1808-9, the surplus revenue amounted to £6,478,387 and the excess of charge to £11,466,073, so that the total income, fell short of the total expenditure by £4,987,676<sup>2</sup>.

Coming to the provinces, we find that in the Presidency of Bengal, there were surpluses in sixteen years and a small deficit in only one year, namely, 1806-7. The total revenue of Bengal during the whole period exceeded the total charges, including

1 Report of the Select Committee on the Affairs of the Company, 1810.

2 Report of the Select Committee on the Affairs of the East India Company, 1810.

interest, by £27,409,097. At the Presidency of Madras, the charges exceeded the revenues in every year except two, namely, 1792-93 and 1793-94, in which the casual payments by Tipu Sultan<sup>1</sup> in consequence of the treaty of Seringapatam, were included. On the whole, the deficit at Madras amounted to £11,193,882. In the Bombay Presidency, the revenues were never sufficient to defray the charges, and the total excess of expenditure during this period amounted to £18,385,745. Deducting the excess revenue in Bengal from the excess charges in Madras and Bombay we arrive at £2,170,530 as the net excess of charge at the three Presidencies. When to this is added the amount of £2,817,146 which was supplied to Bencoolen, Penang, etc., we find that the total deficit of all the Eastern possessions of the Company during this period was £4,887,676.<sup>1</sup>

The chief expedient by which the excess of charge was met was the raising of money on loan. The amount of debt which on the 30th April, 1792, was £9,142,720, stood at £30,876,788 on the 30th April, 1809<sup>2</sup>. There was thus an increase of debt to the extent of £21,734,068 during this period of seventeen years. It is clear that only a small portion of this additional debt was required for the administrative expenses of the country. The commercial charges of the Company and on the expenses of the various campaigns account for the remainder. This was surely a most unsatisfactory method of conducting the financial administration of the country.

Sir George Barlow's labours in the interests of economy bore full fruit during the rule of his successor. Lord Minto was an ardent lover of peace, and he kept expenditure rigorously down. The revenues of India during the next five years were: 1809-10, £16,547,654; 1810-11, £15,774,257; 1811-12, £16,689,039; 1812-13, £16,523,779; 1813-14, £17,299,245. The charges in India during these years, including interest, were: £16,137,399, £16,310,176, £14,847,901, £15,333,661, and £15,340,396 respectively. There

<sup>1</sup> Report of the Select Committee on the Affairs of the East India Company, 1810.

<sup>2</sup> Mill gives the following figures: In 1793 the debts were in England, £7,991,078; in India, £7,971,665; total, £15,962,743. In 1797, in England, £7,916,459; in India, £9,142,733; total, £17,059,192; in 1805, in England, £6,012,196; in India, £25,626,631; in all, £31,638,827. History of India, BK. VI, cl.; XIII.

was a local surplus in each of these years, the surplus of the last three years being quite large. But the Home Charges and the expenses of possessions outside India, *e.g.*, the island of St. Helena, converted those surpluses into deficits.

The renewal of the Company's Charter in 1813 marks the commencement of a new period in the financial history of India. The gross revenue of the three Presidencies and the subordinate settlements during the fifteen years ending in 1828-29 were as follows : Bengal, £196,121,933; Madras, £82,042,967; Bombay, £30,986,970; Subordinate possessions, £812,505; total, £309,937,425. If to this be added a sum of £1,109,975, received in 1815-16 from the Vizier of Oudh in exchange of territory, the grand total of receipts comes up to £311,083,400<sup>1</sup>. The average annual gross revenue during these fifteen years was thus about £20 millions. The main cause of the increase of the gross revenue of India was the acquisition of new territory. But improved and extended cultivation, enlarged commercial dealings, an increase of population, the enactment of better laws, more efficient management on the part of the government, new stamp duties, and a great increase in the demand for opium in China, all contributed to improve the revenues<sup>2</sup>.

The expenditure consisted of the charges defrayed in India as well as those paid by the Court of Directors in England. The Charges of the several Presidencies and of the subordinate settlements, exclusive of those which were paid in England, during the 15 years ending in 1828-29, were as follows : Bengal, £167,747,449; Madras, £85,129,351; Bombay, £46,970,709; total, £299,847,509; Bencoolen, Prince of Wales Island, and Singapore, £2,893,792; St. Helena (net charge), £1,576,370; grand total, £304,317,671.

The annual average amount of gross revenues in the last three

<sup>1</sup> Vide Report of the Select Committee, 1833.

<sup>2</sup> The following statement for the year 1828-29 will show the proportions in which the revenue was derived from different sources : Mint receipt, £19,414; Post Office, £135,617; Stamps, £368,431; Judicial, £126,464; Law Revenue, including certain small miscellaneous receipts, £12,895,366; Sayer and Abkaree, £861,196; Small farms and licenses, and moturfa, or tax on professions, £152,780; ceded Territory on the Nerbudda, £457,923; Burmese Cessions, £117,326; Subsidies from Mysore, Travancore and Cochin, £392,355; Salt, £2,700,157; Opium, £1,930,891; Tobacco, £85,128; Customs, £1,869,634; Marine, £77,787; Profits of the Madras Government Bank, £10,013; Extraordinary receipts from Ava, Bhurtpore, and Scindia, and from the Madras Native Fund, £491,249; making the total revenue in this year, £22,691,721. Vide Report of the Select Committee, 1833.



years of the previous Charter was £16,764,700; the average of the three years ending in 1828-29 was £22,987,472<sup>1</sup>. The annual average the gross expenditure in the last three years of the former period was £16,500,030; in the three years ending in 1827-28, it was £25,902,817<sup>2</sup>.

The first six years of the new system were years of annual deficit, the aggregate amount of which was £ 5,445,931. The cause is to be found in the increase of expenditure occasioned by the prosecution of the hostilities against Nepal, during the period 1814-16, and in the operations against the Pindarees and the Mahrattas in the years 1817, 1818 and 1819. The policy of Lord Hastings can be best described in his own words. "It was by preponderance of power," he wrote to England in 1815, "that those mines of wealth had been acquired for the Company's treasure and by preponderance of power alone could they be retained." The period of his administration marked, "the dawn of a new order," when Great Britain finally decided to assume "Supreme control" over the whole of India<sup>3</sup>.

The general peace which followed the military operations enabled the provincial governments to retrench military expenditure, the effects of which were to be seen in the surpluses of the next three years. These amounted to £ 117,262, £ 610,698 and £ 1,743,139 respectively, during the period 1820-21 to 1822-23. The surpluses would probably have been larger but for the great increase in the

1 These sums being stated in gross, were chargeable with the expenses incurred in the collection of the revenue, in the manufacture of salt and opium, and in the payments of stipends under the various treaties and engagements amounting to about five millions per annum. Vide Report from the Select Committee, 1833.

2 The proportions of the increase of expenditure applicable to the civil and military departments respectively were as follows :

	Average of 3 years ended 1813-14	Average of 3 years ended 1827-28	Increase
	£	£	
Civil Revenue, Judicial and Finance			
including ceded and conquered countries and			
Supplies to Bencoolen and St. Helena ..	5,805,369	8,305,065	2,500,696
Advances for salt and opium, and charges	708,660	1,291,434	582,774
Military .. ..	6,954,674	11,731,092	4,776,418
Buildings and Fortifications .. ..	224,864	724,291	499,427
Interest on Debt .. ..	1,495,460	1,748,513	253,053
Political Charges in England .. ..	1,311,991	2,102,422	790,794
	<u>16,500,025</u>	<u>25,902,817</u>	<u>9,402,792</u>

3. Auber, Rise of the British Power in the East.

civil charges occasioned by the large extension of the Company's territories.<sup>1</sup>

When Lord Amherst became Governor-General, stimulus was afforded to the effort to reduce charges. But before his measures had had time to bear fruit, the Burmese War broke out. Then followed a long succession of deficits, ranging from £ 847,091 to £ 4,953,918. The total of the deficits of the six years 1823-24 to 1829-30 amounted to no less a sum than £ 15,237,249.

The greatest increase in the gross expenditure took place in the four years ending in 1827-28, and the deficit of these years constituted two-third of the aggregate deficit for the whole period 1814-15 to 1827-28. The average increase of the annual expenditure in these years, as compared with 1823-24, was £ 4,529,494. Of this large addition, the part increased in India was £ 3,827,158 and the portion increased in England was £ 702,336. Of the Indian portion of the increase, £ 1,108,251 was an addition to the civil charges and £ 2,695,749 to the military charges, while £ 23,158 represented the increased interest on debt. The increase in the civil charges arose in the Presidencies of Bengal and Bombay, but principally in the former, under the following heads of account; embassies and missions including the mission to Persia and the payment of some arrears of subsidy; Provincial Battalions; the ecclesiastical establishment; the contributions to civil and annuity funds; to schools and charitable institutions; and the revenue and judicial establishments generally. The military charges were increased by the Burmese war, the operations against Bharatpur, and an addition to the number of King's and Company's regiments in India. The augmentation of the Home Charges was caused by an increase in the sums issued for officers' pay on furlough and retirement, by increased expenses of King's troops serving in India, and by extraordinary increase in the quantity of territorial stores supplied to India.

When we consider the revenue and expenditure of the different Presidencies, we find that substantial surpluses were realised in Bengal year after year, while there were deficits in the other

1. Wilson remarks: "At no previous period in the history of the country was the credit of the British Government more firmly established, or was the prospect of financial prosperity more promising, than at the commencement of 1823, when the Marquis of Hastings retired from the guidance of the pecuniary interests of India." . . . . History of India, Vol. II, pp. 564.

### Presidencies and the subordinate settlements.

It will thus be seen that the gross charges of the Indian territories augmented in a greater proportion than the receipts. The average annual deficiency, after defraying all charges both abroad and at home, in the last five years of the previous Charter, was £ 134,662; in the next five years, ending in 1818-19, it was £ 736,853; in the five years ending in 1823-24, £ 27,531; and in the five years ending in 1828-29, £ 2,878,031.<sup>1</sup>

Let us now consider the revenue and expenditure of the different Presidencies separately. The revenues were: Bengal, £196,121,983; Madras, £ 82,042,967; Bombay, £ 30,986,970. The charges were: Bengal, £167,747,449; Madras, £85,129,351; Bombay, £46,970,709. Thus during the period 1814-15 to 1828-29 we find that substantial surpluses were realised in Bengal year after year, while the normal condition of the other Presidencies and subordinate settlements was one of deficit. As a matter of fact the total Bengal surplus during the period amounted to no less than £28,374,534. The annual average thus was £1,891,635. In Madras the deficit for the whole period, was £3,086,384, the annual average of deficiency being £205,758. The deficit in the Bombay Presidency was even larger, amounting to £16,223,922 in 15 years, or £1,081,595 a year. In consequence of the large surplus realised from Bengal, there was, during the fifteen years ending in 1828-29, notwithstanding the deficit at the other two Presidencies, a surplus of revenue over expenditure in India itself, amounting to £9,064,228, or an annual average of £604,281. This, of course, was exclusive of the expenses of the subordinate settlements of Bencoolen, Prince of Wales Island, Singapore and St. Helena. It would certainly strike an impartial observer as strange that although India derived no benefit from these settlements, her revenues should have been called upon to meet the deficiency at all these places. Besides, there were territorial payments in England which amounted to £23,825,712, or an annual average of £1,598,381. Taking into consideration all these heads, there was deficit of £18,410,141, or £1,227,343 a year on an average. There were, in addition, other outgoings of an extraordinary nature, comprising such items as employment of the

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1. Vide report of the Select Committee on Indian Affairs, 1832-33.

loan of 1812, loss on exchange, and unadjusted credits and debits, which amounted to £4,642,770, bringing the total deficit upto £23,052,911.

The extraordinary resources, by the aid of which this deficit was met, were as follows : money received on loan in India, £17,289,864 ; surplus profits applied to payment of debt, £2,256,182 ; advances by commerce to Territory in England, £3,036,578 ; short credit by Commerce to Territory in India, £129,919 ; balance due from His Majesty's Government at the commencement of the Charter of 1813, between the Company and the Crown, set off £2,112,113 ; total, £24,824,565. The excess of extraordinary resources amounting to £1,771,745 went to augment the cash balances.

After the conclusion of peace with Burma, Lord William Bentinck adopted vigorous measures to retrieve the financial position of India. In this effort his hands were greatly strengthened by the Court of Directors who issued orders for the immediate reduction of Indian expenditure. In their despatch the financial result of 1823-24 was referred to for the purpose of comparison, and the charges of that period were assumed as the standard to which the future charges were directed to be reduced. A statement was drawn up showing that, according to the standard of 1823-24, an immediate reduction in Indian expenditure, as estimated for 1826-27 to the extent of £2,924,155, would be necessary. It was admitted that there were difficulties in the way of carrying the reductions into effect ; but they were considered to be outweighed by the embarrassments which an excessive expenditure must occasion. The financial character and condition of the Bombay Presidency were pointed out as peculiarly calling for improvement. These orders, although largely acted upon, had not been fully carried out before the expiry of the Charter in 1833.

The causes which had led to the increase of expenditure were described by the Court of Directors in the following terms :

" We have contemplated with much solicitude the present very unsatisfactory state of your finances, and we have carefully and minutely examined the causes which have led to it. We observe that it has been brought about, less by the pressure of occasional and extraordinary expenditure than by continual progressive augment-

ations of charge in every department, which viewed separately, may have appeared, at the times they were made, to have been justifiable; but which, taken in the aggregate, have occasioned a large excess of disbursement beyond the resources from which alone charges ought to be defrayed. The great amount of that excess has absorbed every accession or improvement of revenue, however considerable, has increased your debt, and has left you burthened with a heavy deficit."<sup>1</sup>

In accordance with instructions of the Directors Lord William Bentinck immediately set about in earnest to give effect retrenchment in expenditure. Two Finance Committees, one civil and one military, were appointed in 1828 by the Supreme Government in India, to revise the expenditure and establishments of the three Presidencies. The Civil Finance Committee was directed to enquire into the civil establishment in the general, judicial, revenue and marine departments. With some limitations, it was left free to push its enquiries to the utmost extent to which it might consider it necessary or expedient to carry them. The Civil Finance Committee was long and laboriously engaged in Calcutta in revising the civil establishments of all the Presidencies. Some of its recommendations were to be carried out immediately, while others were to be dependent upon certain contingencies. The recommendations expected by the government were effected to result in a reduction, immediate and prospective, of nearly half a million pounds sterling. The bulk of this was to take place in Bengal while the shares of Bombay and Madras in it were to be smaller. The Military Finance Committee recommended reductions in the military department amounting to about a million pounds sterling. The immediate reductions were made in the irregular forces and establishments, while it was ordered that retrenchment would be made in the regular army as opportunities occurred.

The year 1829-30 showed a substantial surplus of over a million pounds sterling. Next year, the surplus was much smaller, while there were small deficits in the years 1831-32 and 1832-33. The Committee of the House of Commons reported in 1833 that up to the end of the period of their enquiry the gross charges had augmented in a greater proportion than the receipts. A considerable

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1. Quoted in Report from Select Committee on the Affairs of the East India Company, 1833.

amount of evidence was recorded by the Committee on the question of the increase of expenditure. It was justly observed by one of the expert witnesses : " There is, I apprehend, in all departments of all governments, when not forced the other way by some special pressure, a constant tendency towards new and additional expenses, which it is extremely difficult to check ; and the constitution of the Indian Government and the way in which it conducts its business are not, I think, such as to apply any very efficient check, nay, depending as it does mainly upon the reports and statements of its executive officers for information of what they do, every effort it makes to control with more knowledge is itself an occasion of expense."<sup>1</sup>

The Board of Control observed in a memorandum on the Court's Prospective Estimate of 10th March, 1832 : " It must be admitted . . . that the result of the Indian finances, whether present or prospective, is far from satisfactory. There is little or no prospect of its improvement by means of new or increased resources ; retrenchment and economy in expenditure appear to be the chief remedy. Much has been effected in the way of retrenchment during the last few years, and it is satisfactory to observe that the expenditure has been brought more nearly to accord with the income ; but if retrenchment be the only available means of improvement, much more remains to be done, . . . and it is not unreasonable to expect that more may still be effected." The earnest efforts of the government in the matter of retrenchment proved successful. Measures were also adopted for the augmentation of the public resources. The arrangements of the opium department were revised and land revenue alienations were reconsidered. A small surplus was realised in 1833-34.

A new chapter was opened in the financial history of India after the renewal of the Charter in 1833. The four years which followed that event were marked by an entire absence of warlike activity. In the first year, there was a small deficit of £ 194,477. But from the next year the revenues showed a tendency to expend in all the Presidencies, and the expenditure was kept within proper bounds. There were, it is true, an apparent deficit in Bengal proper which was due to the entire charges of the Government of India being shown against

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1. Evidence of Holt Mackenzie before the Select Committee, 1832-33.

that province. The position of Bombay, however, was one of real deficit, and a deficit appeared in one year in Madras. On the other hand the newly-formed province of Agra showed large surpluses in all the three years. The total revenues realised in the whole of India during those years were as follows: 1835-36, £19,546,981; 1836-37, £19,674,153; 1837-38, £19,534,904. The total charges, including payments in England, were: £18,105,469, £18,425,929 and £18,754,586, respectively. The surpluses thus amounted to £1,441,512, £1,248,224 and £780,318. From this it is obvious that during years of peace, Indian resources were not only ample to cover all necessary expenditure, but sufficient to leave considerable balances in the public exchequer.<sup>1</sup>

The situation was completely changed with the outbreak of the Afghan War in 1838. The full effect of the hostilities was not, however, felt in the first year of the war, when there was a small deficit of £381,787.<sup>2</sup> The next ten years, that is to say the year 1839-40 to 1848-49 were an uninterrupted period of warfare, comprising campaigns in Afghanistan, Sind, Gwalior and the Punjab. During this period, the revenues expanded progressively; but the war affected the expenditure, which grew in greater proportion than the revenue, as will appear from the following table:

	Total Revenues £	Total charges £	Deficit £
1839-40	18,859,512	20,998,225	2,138,713
1840-41	19,546,418	21,301,243	1,754,825
1841-42	20,469,017	22,240,620	1,771,603
1842-43	21,202,362	22,548,373	1,346,011
1843-44	22,113,511	23,553,770	1,440,259
1844-45	22,183,453	22,927,346	743,893
1845-46	22,754,852	24,251,717	1,496,865
1846-47	24,450,052	25,421,374	971,322
1847-48	23,807,970	25,260,115	1,911,986
1848-49	25,801,968	25,281,195	1,473,225

1. Vide letter from the Court of Directors of the East India Company to the Governor-General in Council, dated the 3rd June, 1852.

2. The entire cost of the Afghan War was estimated at £15 millions. John Bright said in the House of Commons that it was unjust to impose upon the people of India "the burden of a policy with which they had nothing to do." He thought that the whole of the expense ought to have been thrown on the people of England, "because it was a war commanded by the English Cabinet for objects supposed to be English". Debate in the House of Commons, 1859.

The aggregate charges thus exceeded the revenue by £15,048,702, the average deficit amounting to no less a sum than a million and a half a year.

If we consider the financial position of the different provinces, we find that Bengal and Bombay exhibited deficits throughout the period; the deficits of the former province being apparent,<sup>1</sup> and those of latter more or less real. In Madras three were years of deficit and seven of surplus, while there was a surplus in each year in the Agra province.

The deficiency in the income as compared with the expenditure during these years was met by a recourse to loans.

The establishment of peace in the country was followed by an improvement in the financial situation. The next four years, namely, 1849-50 to 1852-53 were years of surplus; but the amounts were not large, the aggregate being only £1,725,152. The Second Burmese War again disturbed the finances of the country. The remaining period of the Company's rule was marked by substantial, and in some years, large deficits. In regard to the deficiencies of the years 1853-54 and 1854-55, which were £2,044,117 and £1,707,364 respectively, Lord Dalhousie expressed the opinion that they were merely apparent, having been caused by the enormous expenditure which the Government was incurring upon public works designed for the general improvement of the country. He added : " A large annual deficiency must and will continue to appear unless the Government shall unhappily change its present policy and abandon the duty which I humbly conceive it owes to the territories entrusted to its charge. The ordinary revenues of India are amply sufficient and more than sufficient, to meet all its ordinary charges; but they are not sufficient to provide for the innumerable and gigantic works which are necessary for its due improvement. It is impracticable to effect, and absurd to attempt, the material improvement of a great empire by an expenditure which shall not exceed the limits of its ordinary annual income." <sup>2</sup> Although there was a good deal of truth in these remarks they did not depict

1. The deficits of Bengal were due to the fact that the entire expenditure of the Central Government was charged to this province. But so far as the provincial accounts proper were concerned and annual surplus was exhibited by Bengal.

2. Minutes of the Marquis of Dalhousie, dated February 28, 1856.



the whole situation.

The deficiency of the year 1855-56 amounted to £972,000, the total deficiency of the three years 1853-54 to 1855-56 being £4,700,000. It should be remembered in this connection that as a result of the recent territorial acquisitions, a revenue of over four millions sterling had been added to the income of India<sup>1</sup>. But if we compare the revenue and charges of the last six normal years of the Company's administration, we find that the income of the year 1850-51 amounted to £18,844,000, and of 1856-57 to £23,270,000, while the expenditure was £18,429,000 in 1850-51 and £23,413,000 in 1856-57. Thus the charges increased more than the revenue, notwithstanding the reduction of a half a million in the interest on debt.<sup>2</sup>

The subject now engaged the attention of the authorities in England. In 1855, the Court of Directors sent a despatch to India recommending a general revision of the establishments in all the provinces. The frequent occurrence of deficits also brought the subject of Indian finance prominently before Parliament. It was asserted that the distress had been due, in the main, to the annexation policy pursued in India. An absence of proper control over finance was also pointed out as one of the causes of the difficulty. Some of the members of the House of Commons urged as a solution retrenchment in expenditure, particularly in the military department. But Sir Charles Wood, President of the Board of Control, and Vernon Smith, his successor-in-office, both considered the suggestion as impracticable. Nor did either of them hold out any hope of increased income for the existing sources of revenue were malastic and increased taxation was unthinkable.<sup>3</sup>

It was when things were in such a state that Lord Canning assumed the duties of Governor-General. The deficit in the first year of his administration was a small one. In the beginning of the following year it seemed that equilibrium between income and expenditure had been practically restored, and the financial prospects

1. Punjab, £1,500,000; Pegu, £270,000; Nagpur, £410,000; Oudh, £1,450,000; Satara, £150,000; Jhansi, £50,000; Hyderabad Assigned Districts, £500,000; total, £4,330,000. Vide Minute of Marquis of Dalhousie, dated, February 28, 1856.

2. Sir Charles Wood's Financial Statement, 1854.

3. Vide Financial Statements, 1854, 1855, and 1856.

of the future appeared to be quite encouraging<sup>1</sup>. But it was not many months before the Sepoy Mutiny broke out, throwing the financial machinery of India entirely out of gear.<sup>2</sup>

The position will be more clearly understood if we compare the main heads of income and expenditure during the years 1856-57 and 1957-58.

Revenues <sup>a</sup>		1856-57 £	1857-58 £
Land Revenue	.. ..	17,748,810	15,317,337
Tributes and subsidies from Native States		537,632	544,457
Excise duties in Calcutta	.. ..	45,684	49,751
Sayer revenue	.. ..	293,317	268,360
Abkary Revenue	.. ..	920,350	794,244
Moturpha (Madras)	.. ..	108,419	107,826
Trade taxes (Punjab)	.. ..	"	"
Miscellaneous receipts in the Revenue			
Department	.. ..	244,268	228,220
Customs	.. ..	2,289,072	2,148,834
Salt (exclusive of customs duty on salt imported)			
	.. ..	2,501,881	2,131,346
Opium	.. ..	5,011,525	6,864,209
Post Office collections	.. ..	260,192	389,493
Stamp duties	.. ..	612,788	456,363
Mint receipts	.. ..	290,539	363,516
Marine and (Pilotage) receipts	.. ..	159,517	178,304
Judicial receipts	.. ..	284,206	298,732
Contributions from native states on account of contingents			
	.. ..	103,865	36,816
Interest on debts due by the Nizam and on other accounts			
	.. ..	64,329	62,949
Miscellaneous receipts in the Civil and Political Departments			
	.. ..	481,289	402,309

1. Despatch from the Secretary of State to the Governor-General, 1859.

2. With regard to the financial embarrassments caused by the Mutiny, John Bright said: "No policy can be more lunatic than the policy of annexation which we have pursued of late years in India, and the calamity we are now meeting is the natural and inevitable consequence of the folly we have committed." Debate in the House of Commons, 1859.

3. Vide enclosurè to Financial Letter to India, dated 22nd August, 1860, No. 136

Miscellaneous receipts in the Public			
Works Department	.. ..	918,227	476,910
Miscellaneous receipts in the Military			
Department	.. ..	502,116	586,800
<hr/>			
Revenues	.. ..	33,378,026	31,706,776
Deficit, including interest on railway capital guaranteed, less traffic receipts		474,028	8,390,642
<hr/>			
		33,852,234	40,097,418
<hr/>			
CHARGES <sup>1</sup>	.. ..	1856-57	1857-58
Repayments, allowances, refunds, and drawbacks	.. ..	£	£
	.. ..	74,634	63,509
Charges of collection and other payments in realisation of the revenues, including cost of salt and opium, viz., Land Sayer, Abkary etc			
Abkary etc	.. ..	2,224,343	2,005,044
Customs	.. ..	113,563	149,376
Salt	.. { (Cost.	612,749	301,689
	.. { (Charges.	..	304,191
Opium	.. { (Cost.	980,837	747,335
	.. { (Charges.	169,643	198,499
Post Office	.. ..	375,687	439,981
Stamps	.. ..	31,623	27,845
Allowances and assignments payable out of the revenues in accordance with treaties or other engagements			
	.. ..	1,118,285	883,454
Allowances to district and village officers and enamdars, including charitable grants			
	.. ..	976,981	1,113,912
<hr/>			
Total of the direct claims and demands upon the Revenues, including charges of collection and cost of salt and opium	..	6,678,345	6,225,835
Charges of the Civil and Political establishments, including contingent charges			
	..	2,556,271	4,019,886
Judicial and Police charges	..	2,812,409	2,635,133

1. Enclosure to Financial Letter to India, dated 22nd August, 1860, No. 136.

Buildings, Roads, and other public works, including repairs and military buildings	3,937,568	3,053,268
Military charges general, in- cluding stores	10,947,643	15,107,184
Military charges Local ..	544,262	462,741
	<hr/>	<hr/>
	11,491,905	15,569,925
Indian Navy and other Marine charges ..	916,924	1,169,486
Charges of the Eastern Settlements (exclu- sive of charges of collection and other payments out of the revenues) ..	72,154	62,809
Mint charges ..	143,172	145,514
Interest on debt. . .	2,264,961	2,196,672
	<hr/>	<hr/>
Total charges in India ..	30,873,709	35,078,528
Home charges including stores ..	2,574,328	4,492,470
	<hr/>	<hr/>
Interest on Railway Capital Gua- ranteed ..	33,448,037	39,570,998
In England ..	496,039	655,854
In India ..	30,112	24,372
	<hr/>	<hr/>
	526,151	608,226
Less Net Traffic		
Receipts ..	121,954	153,420
	<hr/>	<hr/>
	404,197	526,420
	<hr/>	<hr/>
Total charges in England and India, including interest on railway capital guaranteed ..	33,852,234	40,097,418

The deficiency which was only £ 474,028, in 1856-57 rose to £8,390,642 in 1857-58. In 1858-59 the amount of deficit was no less than £14,187,000. The Mutiny thus left its indelible mark on the financial history of India in a large permanent increase of expenditure and a heavy addition to debt.

In attempting to review the financial position of India during the last quarter of a century of the Company's rule, we find that sur-

pluses occurred only in seven of these years, while in no less than eighteen there were deficits. The aggregate amount of the surpluses was £3,700,230, and that of the deficits, £21,155,093. If we take into consideration a longer period, namely, that commencing after the renewal of the Charter in 1813, we find that during these forty-five years, there were surpluses in thirteen, and deficits in thirty-two years, the total amount of the former being £8,895,437 and of the latter, £62,905,287. If we go back even further, and take as our starting point the year 1793, when the accounts began for the first time to be prepared for presentation to Parliament, we arrive at a similar result. Out of the sixty-six years comprising this period, only eighteen were years of surplus and no less than forty-eight were years of deficit. It is thus no wonder that the first Finance Member of India should have described the normal state of Indian finances as one of "deficiency of income and addition to debt."<sup>1</sup>

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<sup>1</sup> Wilson Financial Statement, 1860.

# THE HINDU TAXATION SYSTEM

BY

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The Hindu financiers must have had a Herculean task to perform in inventing new sources of taxation. Fresh avenues of income must have been tapped from time to time. It is a misfortune that the Hindu law codes do not afford much clue to the melodrama of the gigantic and romantic struggles of the bureaucracy in evolving the tax-system in India. The origin of taxes on land and trade is always associated with the genesis of the state. In fact the state and taxation are said to be interdependent upon each other. Sovereignty can be maintained with taxes and the latter can be imposed and levied by a sovereign alone for the purposes of the state. In an account of the evolution of sovereignty we read that the people entered into a contract with their first king and among other things they pledged that they would give him a fiftieth part of their animals and precious metals and a tenth part of their grain for the increase of his treasury.<sup>1</sup>

The account in the Arthashastra diverges from the preceding one in the amount of taxes to be given by the people. Chanakya sums up the origin of taxation in these words: "People suffering from anarchy as illustrated by the proverbial tendency of a large fish swallowing a small one, first *elected* Manu, the Vaivasvata, to be their king; and allotted one sixth of the grains grown and one-tenth of merchandise as sovereign dues."<sup>2</sup> Fed by this payment, kings took upon themselves the *responsibility* of maintaining the safety and security of their subjects (yogakshemavahah), and of being *answerable* for the sins of their subjects when the principle of levying just punishments and taxes has been violated. Hence, hermits, too, provide the king with one-sixth of the grains gleaned by them, thinking that 'it is a tax payable to him who protects us.'

A comparison of the two accounts shows that the Mahabharata

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1. Shanti Parva. Chap. 67 23. (Copyright with the author)

2. Arthashastra, p. 26.

has followed the law-book of Manu in assigning  $\frac{1}{10}$  of the grains and  $\frac{1}{50}$  of the increase in cattle and precious metals, but the author of the Arthashastra has deviated from the old rule and very largely raised the amounts to suit the purposes of his times.

In this theory of social contract it is most important to observe that

- (a) the people impose taxes upon themselves of their own free will. The implication is that the amount and nature of taxes are to be decided by the people themselves, and not by the executive.
- (b) These imposts are put under the control of kings for maintaining the safety, security, and prosperity of the citizens. They are wages of rulers paid for insuring protection and progress.
- (c) Above all, rulers are *answerable* to their subjects for violating the principles of *just* punishments and taxes. The crown with its executive machinery has been made responsible to the people in its function of raising money along with the due discharge of the judicial function. These important principles emerge from the theory propounded above. We have no means to know how the law was worked in practice. Some light will be thrown later on.

Whether the people were to impose taxes on themselves through their representatives or directly through councils of all the people assembled and what kind of control the subjects could have on kings for preventing them from levying unjust taxes and from growing extravagant—these points are not clear. Popular assemblies with powers over raising and spending money did not exist in India. A veto expressed incoherently by the general mass of the people cannot be of much avail in an absolute monarchy.

The Hindu social contract theory has all the seeds of evolution that is visible in the financial control of public revenue and expenditure in the western world, but the law-books do not show the stages of such an evolution in India. The Hindu law provides moral sanctions, but no organs have been created to express the will of the people on the raising and appropriation of money. The defects are partially thrown into relief by the fact that the kinds and

assessment of taxes were considered to be fixed for ever by the Divine Law which could not be violated by any king without incurring a sin and courting the displeasure of his subjects. Similarly, the appropriation of money by the crown was fixed by the same sacred law. The executive had to follow those regulations of the expenditure of money. The prospect of the wrath of God and people was a real deterrent upon the misapplication of the public money. Moreover, admirable systems of espionage and audit were devised to prevent embezzlement and misappropriation of money.

We have got a glimpse of the beginning of the Hindu taxation system, but the subsequent stages of its growth are altogether hidden from our view. Every important book on polity available at present shows a sufficiently developed tax-system. The Mahabharata, various law-books, books on economics and polity, the Puranas and dramas—all have almost the same principles. Details and explanations differ here and there. It appears on the evidence of this vast and ancient literature that the main features of the Hindu tax-system had been developed even earlier than one thousand years before Christ. How far the financial organization was indigenous and how far it was borrowed from other countries cannot be historically traced. It is very admirable for Hindu statesmen to have fore-stalled modern financiers by three thousand years in inventing multitudinous sources of revenue and to have enunciated principles which can well compare with their modern prototypes.

A few maxims culled at random will clear up the ground :

- (a) A king should collect *lawful taxes*.<sup>1</sup>
- (b) New taxes and duties are vexatious to the people.<sup>2</sup>
- (c) Duties should not be realized more than once by a king through craft.<sup>3</sup>
- (d) A king should enjoy revenue from everywhere, but should protect all like a servant.<sup>4</sup>
- (e) Each assessee should be given a stamped receipt of the revenue paid to the state.<sup>5</sup>
- (f) The destitute, the deformed, the diseased, minors, females, men who have taken a vow of voluntary poverty, should be free from taxes.<sup>6</sup>

1. Apa. II. 26. 9.

4. Sukra. p. 149.

2. Sukra, p. 89.

5. Sukra. p. 149.

3. Sukra. p. 147.

6. Apa. II. 26. 9.



## GENERAL CLASSIFICATION OF STATE INCOME.

Looking at the various items of the public revenue described in the Hindu law books, we can conveniently divide them into :

(I) The non-tax or public economic revenue from :

- (A) Public demesne ;
- (B) Forests ;
- (C) Urban lands ;
- (D) Mines and quarries ;
- (E) Fisheries ;
- (F) Public monopolies ;
- (G) State-owned industries ;
- (H) State-controlled commerce ,
- (I) Escheat ;
- (J) Treasure Trove

(II) Income from taxes :

- (A) The *tax* revenue ;
- (B) Fines and penalties ;
- (C) Fees ;
- (D) Tributes ;
- (E) Presents and contributions ;
- (F) Purveyances.

This classification of the taxing system looks perfectly modern, but the next section will show how Hindu statesmen were highly ingenious in discovering and tapping various sources of income for the benefit of the state. Neither Greek nor Roman governments can compare with the Hindu polity in the complexity and comprehensiveness of their taxing systems.

The Hindus developed a complicated system of taxation. This in itself, is a strong evidence of the growth of civilization and the extension of the duties of the state. The Hindu state was not a mere police state guarding the person and property of its citizens through the police and army and bringing the transgressors of the laws of the country in law-courts and thus punishing the delinquents through the judiciary. The night-watchman state, so much applauded by some of the political philosophers, found no advocates in the Hindu political philosophy. The duties and functions of Hindu

## SOURCES OF PUBLIC REVENUE.

governments were very extensive. Governments were considered to be made for the good of the governed and hence multifarious means were adopted for the benefit of the community. If we were to agree with the views of the German economist Roscher, who holds that an increase in the expenses of a state is a law of progress, the Hindu state seems to be a highly developed organism. The growth of civilisation necessitates an ever-increasing extension of the administrative activities of the state and an enhancement in national expenditure and revenue.

The Kautilaya has given a general classification of taxes levied in his day in the Hindu states. These were of two kinds, local and national. *The local taxes* are named as under :

(I) The Revenue from districts (Durga) was assessed in the form of tolls, fines, duties on weights (periodical examination of weights and measures), charges for the city magistrates, income of the survey department, income from seals and passports, excise from liquor, duty on the slaughter of animals; duties on the sale or manufacture of threads, oils, ghee, sugar; taxes on goldsmiths, ware houses of merchandise, prostitutes, gambling houses, building-sites, corporations of artisans and handicrafts-men; revenue from temples, town excise; taxes levied on the people known as Bahirikas or dancing girls and musicians.

In modern times this sort of revenue is raised by local governments and is included in local taxation. As every district was protected by a fort, the political division was therefore known by the name of the fort, as to-day in India the area under the jurisdiction of a Tahsildar is known as a Tahsil

(II) *The state or national (Rashtra Revenue)* consisted of :

- (a) the produce of crown lands or public domains (Sita);
- (b) the portion of agricultural produce payable to the government (Bhaga);
- (c) taxes realised for religious purposes (Bali);
- (d) Tributes or subsidies paid by vassal kings (Kara) and others;
- (e) taxes on merchants,

- (f) Income of the marine department from rivers, ferries, boats and ships;
- (g) Income from pasture grounds;
- (h) Road cesses (Vartani)<sup>1</sup>;
- (i) Ropes (Rajju) and chorarajju (ropes to bind thieves);
- (j) *Senabhakta*—Provisions supplied by the people while the army is marching or preparing for expeditions;
- (k) *Utsanga*—Presents paid to kings, such as on the occasion of the birth of a prince ;
- (l) *Parsva*—Subsidiary taxes that are collected when there is some margin left for such collection, like the land cesses prevalent in British India to-day ;
- (m) *Parihinaka*—Compensation levied in the shape of grains for any damage done by cattle to crops, possibly on crown lands. Some commentators take the word to mean 'crops' that grow on uncultivated grounds ;
- (n) *Aupayanika*—Contributions to the king ;
- (o) *Kaushtheyaka*—Taxes that are on lands below tanks, lakes, and other sources of water built by the state .

III Revenue from mines (Khani) included all the minerals obtained by the state for its right of royalty Gold, silver, diamonds, gems, pearls, corals, conch and shells, metals, salt, earths, stones and other liquid minerals extracted from plains and mountains

IV. The fourth source of national income was named Setu from its being collected from costly irrigated lands under flower gardens, fruit-gardens, vegetable-gardens, lands where sugar, plantains, ginger and turmeric are grown. The vegetable and valuable crops were probably subject to a different levy.<sup>2</sup>

V. The income from game, cattle, timber, grass, elephants, etc., formed the fifth avenue of income called (vana) forest revenue.

VI. The Vraja income was from taxes levied on the breeding and sale of cows, buffaloes, goats, sheep, asses, camels, horses, and mules.<sup>3</sup>

1. p. 137 8. Arth. pp. 66, 112-3.

2. Cf. Hoonda of the Marathas.

3. Cf. the Mhys Puttee and Bakra Pattal of the Maratha Tax System P. 276.

VII. The tolls collected on the Imperial roads and water ways come under the head of *Vanikpatha*.

VIII. Accidental (Anyajata)—what is lost and forgotten by others.

IX Income from the following sources constituted an important group :

- (a) fines imposed on government servants ;
- (b) unclaimed property ;
- (c) Marginal revenue (Parsva) ;
- (d) Compensation for any damage done ;
- (e) Presents to the king ;
- (f) Escheats, called *beitue mau* in the Maratha system;<sup>1</sup>
- (g) Treasure trove.

X Commercial Income from sale proceeds of grains, etc, interest in kind or money.

XI Profits of mintage.

The *Sukra's classification* of the sources of revenue, though not exhaustive, is interesting :—

- (1) Rent from land
- (2) Duties and taxes.
- (3) Fines.
- (4) Produce of land yielding crops without man's labour.
- (5) Forest produce.
- (6) Mineral wealth.
- (7) Treasure-trove.
- (8) Wealth unowned and left.
- (9) Wealth stolen and got back from thieves.<sup>2</sup>

*Manu's classification* of taxes, is probably the oldest and hence deserves notice :

Bali— $\frac{1}{8}$  of the grains from the villagers every month or in the months of Bhadra and Pausha.

<sup>1</sup> 63 66, 68, 112 113. P. 277—Administrative system of the Marathas.

<sup>2</sup> P. 73 Cf. Kam. V. 78-79.

**Kara**—Money-payments on internal sales or monthly collections from the villagers.

**Shukka**—Customs.

**Pratibhaga**—Daily collections of presents of fruits, flowers, vegetables, grass etc.

**Danda**—Fines.<sup>1</sup>

Similarly, *Kamandaka* too has given a small list which is reproduced here for comparison :—

Agriculture	Forests
Communications	Mines and quarries
Cantonments	Elephants
Tolls on bridges	Peeping of uninhabited tracts. <sup>2</sup>

### LAWFUL TAXES.

The abuse of arbitrary exactions of rulers was reduced to the minimum by not allowing them to levy any tax not sanctioned by the Vedic and Smṛiti law or by custom. The rates of assessment in each tax were also fixed. Thus the executive had very little liberty in levying new and oppressive taxes. The violation of these immemorial laws and customs meant the ire of the Brahmans, the wrath of the saints, the revolt of the subjects, the dethronement of the king, the destruction of all his merits and a heavy punishment in hell hereafter. A few law givers are quoted below on the topic :—

The king shall make his officers collect the *lawful taxes*. These are, of course, those sanctioned by custom and approved of by the Smṛitis.<sup>3</sup>

A king who rules *in accordance with the sacred law*, may take the sixth part of the wealth (grains) of his subjects.<sup>4</sup>

Let him collect taxes according to the *dictates of the sacred law* and let him behave like a father towards all men.<sup>5</sup>

*With a sixth part, upon fair calculation*, of the yield of the soil, as his tribute, with fines and forfeitures levied upon offenders, with

<sup>1</sup> Manu, VIII. 307 and the commentators on the same.

<sup>2</sup> V. 78-79.

<sup>3</sup> Apa. II. 26. 9.

<sup>4</sup> Vas. I. 42.

<sup>5</sup> Manu, VII. 80.

the *imports levied according to the scriptures* upon merchants and traders in return for the protection granted to them, a king should fill his treasury.<sup>1</sup>

The punishments for the breach of these rules will be discussed later on.

### LAND TAX.

The amounts of tax to be collected according to Sukra from irrigated and non-irrigated lands are :—

(1) Barren and rocky soils.	$\frac{1}{8}$ th of the "phala" to be taken by the king
(2) Lands irrigated by artificial means as tanks, canals and wells.	$\frac{1}{3}$ rd of the phala.
(3) Lands irrigated by rivers.	$\frac{1}{2}$ part of the phala.
(4) Lands naturally irrigated with rain. water-crops uncertain and precarious.	$\frac{1}{4}$ th portion of the phala. <sup>2</sup>

It appears that methods of irrigation, certainty of crops, and productivity of the soil have been recognized as the bases of calculating the crown's share in the yield of agricultural lands. It is however, a very controversial question whether the above-mentioned shares are from the net or gross produce of lands. How are we to interpret the word "Phala"? Does it mean produce or profit? For the present we are concerned with Sukra alone and the problem ought to be decided only on the internal and explicit evidence of the author himself. Let the views of all other writers be ignored for the time being. A careful investigation into this question leads me to the conclusion that shares of the *net produce* of lands are meant by Sukra. My reasons for this conclusion are given below:—

(1) Sukra's first postulate of good agriculture is stated in the following text:

"That agriculture is successful which yields a profit twice the expenditure (including Government demand)" after duly considering the variations in actual produce from good, middling or bad

<sup>1</sup> Bhishma, in Shanti Parva, 71. 10.

<sup>2</sup> P. 148. 227-230.

३ राजभगादिभ्ययता (Raj bhagadwevyata)

lands. Any thing less than that inflicts suffering upon the people".<sup>1</sup>

In other words, the produce of every holding should be imagined to consist of three equal parts. One part alone is considered to be sufficient to cover all kinds of incidental expenses including the government taxes, the remaining two parts should be left for the upkeep of the cultivator's family. If the government leaves less than two such shares, it inflicts misery upon the peasants. It is evident that if all kinds of expenses incurred in agriculture including the taxes on land, are to be met by one-third of the produce, the Government share cannot be  $\frac{1}{3}$  or  $\frac{1}{4}$ th of the yield, it must be far less. It is also clear that expenses incurred by the peasant on the maintenance of his family are not included in the expenses of agriculture. The cost of seeds, instruments, cattle and paid labour at the utmost may be covered by the one-third share.

(2) In mining operations the king has been allowed to take his shares in different metals after deducting current expenses,<sup>2</sup> i.e., from net produce only. It is natural to deduce that the Government claims its share in agricultural produce also from the net yield.

(3) Sukra has himself added the rule that after duly considering the *excess of profits* realised by peasants, etc., the king should take  $\frac{1}{3}$ ,  $\frac{1}{5}$ ,  $\frac{1}{7}$ , or  $\frac{1}{10}$  of the *Phala*. Why should there be this varying tax and consideration of profits, if a certain portion of the crop is to be taken? Everyone knows that on barren or bad lands the yield will be low and consequently the share of government will fall off itself, while on good lands, there will be bumper crops, the share of the state will also go up. Hence *Phala* can mean net produce here.<sup>3</sup>

(4) *Improvements Exempted*.—Another maxim enunciated by Sukra throws light upon this question. It has been said that the king should not demand any tax from those people who undertake to dig canals, tanks, wells, etc., or bring under cultivation new lands until they realise a profit equal to twice the expenditure.<sup>4</sup>

What kind of expenditure? This does not evidently include any

1. P. 147. दुःखदं वृणाभ् (Duhkhandam Vranabha)

2. व्यय शेष हः (Vyaya Sheshha)

3. P. 148.

4. P. 148. 242-244.

government taxes. It must be incurred upon improvements as well as upon agricultural operations.

\* When the profits of peasants have over-reached the limit of twice the expenditure incurred by them, exclusive of the share of the state, it is then and then only that the government can come forward to claim its share, not before that time. After that limit the expenses of agriculture shall include state demand and still an income equal to twice the amount of expenditure shall be left for the use of the cultivator.

The first and the fourth maxims of Sukra taken together irresistibly lead us to the conclusion that the tax, on land is to be calculated on the net produce of lands, *i.e.*, on the balance left after deducting expenses. The nature of expenditure is not explained by the commentator of the Sukraniti and therefore I have taken that word to cover only incidental charges incurred in agricultural operations, exclusive of the maintenance of the agriculturist's family.

### MANU'S LAWS ON THE LAND TAX.

Let us now proceed to examine the evidence of Manu, the primeval law-giver who has been quoted in the whole subsequent judicial literature.

(A) The first important text runs :<sup>1</sup> 'Of the grains the crown may take sixth, eighth, for even the twelfth part.'<sup>2</sup>

Two interpretations have been given of this maxim on the share of the state. The first is that the above variation from the 6th to the 12th part is due to the varying productivity of different soils. From the best soils, the king may claim one-sixth at the utmost, from the middling one-eighth and from the worst cultivated lands only one-twelfth. The crown has not been given the freedom to claim any thing between one-twelfth to one-sixth from any and every kind of land. This only means that lands of different qualities must be subject to different demands from the state. The second import is equally convincing. The general rule to be observed was that the crown should take one-eighth on the average, though in times of scarcity the demand could be lowered to one-twelfth and in times of

1. धान्या नामद्वयो भागः षष्ठोद्वादश राव वा

2. VII. 130



national crises the king's share could be raised to even one-sixth. .

The question of determining the Crown's share next arrests our attention. This point, though controversial on account of later developments, has been most lucidly explained by the scholars. No doubt is left in the mind of any reader that the *share of the state is to be reckoned on the basis of the net produce and not on that of the gross yield*. Let us take each commentator by turns :

Medhatithi, Kulluka,<sup>1</sup> and Gobindaraja, are unanimous that the king's share is to be estimated on the basis of increase upon the capital employed.

Nandana is still more explicit. Says he<sup>2</sup> :—

'In every case the share is on *profit* made after deducting expenses.'

No more unequivocal language could be used for the thorough settlement of this vexed question. These scholars never allowed any misunderstanding to remain in the minds of their readers. *Net yield* alone was the basis for calculating the share of the state. The commentators never accept the gross produce to be shared by the crown. The expenses of cultivation are first to be deducted and then the state is to be given its due.

(B) There is still another text in Manu<sup>3</sup>. It means that the king may take one-twentieth of that amount which men well-acquainted with the sources of revenue and skilful in estimating the prices of all kinds of merchandise, may fix as the value for any saleable commodity.

Herein the 20th share of the state is not from the gross price of goods, but only from the profits made on the sale of goods. Kulluka, Govinda, Raghva, and Ramchandra have clearly stated that *five per cent., of the profits* and not of the prices obtained, is to be given to the state.

(C) Medhatithi and Narayana are silent. But this explanation is supported by the Agnipurana<sup>4</sup> wherein it is said that the merchant

1. मूल्याधिक्योः मूल्यादधिक्योः

2. सर्वत्र व्ययव्यतिरिक्त लाभविषयाभाग कल्पना

3. VIII. 398.

4. Chap. 223.. 25

3. विशोशे लाभमाद्याह्णनीय स्ततोऽन्यथा ।

4. लाभान्महीतयः ।

should contribute one-twentieth from his *profit*, otherwise he is liable to punishment.

\* In other words, men engaged in trade and commerce were to pay a tax *at the rate of 5 per cent., on their income.*

• (D) Several other texts corroborate this statement. In the very next couplet of Manu wherein one-sixth part of the forest produce has been enjoined to be taken by the crown, Medhatithi and Kulluka have again laid down that *this share is to be from profits alone.*

(E) Manu has elsewhere<sup>1</sup> set limits to the shares of the state even in times of great calamity. For instance, during periods of extreme distress the crown can exact one-fourth; similarly during periods of national calamity the average can be one-eighth instead of one-twelfth of grains; one-twelfth instead of one-fiftieth from bankers and cattle-breeders; while from artisans, labourers, etc., one day's work after 20 days' period instead of a month can be enforced.

In explaining this text, the scholars have again taken the same position :

*Medhatithi*—Share from the profits of commercial people.

*Govinda*—A husbandman shall give the state's share from the Phal.

*Kulluka*—Increments on grain.

Now the following texts are reproductions of Manu and hence ought to be interpreted in the same manner :—

*Gautama*—Cultivators must pay to the king a tax amounting to one-tenth, one-eighth or one-sixth of the produce<sup>2</sup>

It should be marked that Gautama mentions one-tenth instead of one-twelfth laid down by Manu. Haradatta against the interpretation of Manu's commentators understands gross and not produce. But it is his mistake. Gautama has not used any word regarding produce. Hence we supply the words 'net yield' on the basis of Manu.

*Vishnu*—The king must take from his subjects as taxes a sixth part every year of the grain; a sixth part of all other seeds; two in

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1. X. 120.

2. X. 24.

the hundred of cattle, gold and clothes, etc.<sup>1</sup>

*Parasara*—By giving a sixth part of his crop to his king, one-twentieth to the Brahmans, and a thirtieth part to the gods<sup>2</sup> a cultivator is exonerated from all sins.<sup>2</sup>

To sum up, the laws of Manu and his successors explicitly lay down that the king's share is to be calculated on the basis of net produce and profits and in no case on gross produce and the sale price of commodities.

*(To be continued.)*

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1. III. 22-25.

2. II. 14.

THE INFLUENCE OF CUSTOM  
IN THE EVOLUTION OF ANGLO-AMERICAN ECONOMIC SOCIETY  
BY

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In the "Legal Foundations of Capitalism" Professor John R. Commons bases a theory of value on the constitutional structure and court decisions of Anglo-American society. Scattered through his presentation of this theory of value and through other writings are many historical references which, taken together, constitute a theory of the evolution of Anglo-American socio-economic structure, or as one might say, a philosophy of history. The object of this paper is to reveal clearly one aspect of this theory of the development of socio-economic institutions by tracing, with the aid of Professor Commons' historical references, the transformation of feudalism into capitalism and the beginnings of the transformation of capitalism into some other form of industrial government.<sup>1</sup>

The feudal society of Europe was founded originally upon force, but by the time it had become a settled form of social organization it had become an order not of mere force, but of definite social relations. Its dominant *motif* is easily seen—sovereign and subjects, the sovereign with authority over, and certain duties toward, his subjects. The idea of sovereignty seems to have been not so much that of a dictator or autocrat as that of the centre of control of the socio-physical organism made up of all the persons, the natural resources and the man-made equipment of the country. When William the Conqueror became King of England he considered himself, in accordance with this conception of sovereignty, the source of political control over the individuals of the kingdom, the owner of its land, the director of its industries and the patron of its trade and commerce. In fact, these ideas were not separated from each

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1. Much of the Phraseology of this paper, apart from direct quotations, is attributable to Professor Commons. It is believed that the few references to other authorities and to events not mentioned by Professor Commons serve to illustrate, rather than modify, his interpretation of the evolution of Anglo-American economic society.

other, for, "William the Conquerer and his lawyers did not distinguish his property from his sovereignty. Both were possessions rather than property. . . . Property and sovereignty were one, since both were but dominion over persons and things."<sup>2</sup>

The powers and duties of such a sovereignty as this must, of course, be exercised through representatives and subordinates. William the Conquerer and his successors therefore gave grants of their sovereignty to faithful followers and to those deemed best fitted to exercise responsibility over the various lines of human endeavour. The first of these grants of sovereignty were made on a geographical basis—that is, grants of land and of political power over the inhabitants of the land. Land and inhabitants went together: both were possessions of the lord of the manor.<sup>3</sup> These grants of sovereignty and other special privileges were known as "liberties" or franchises. "Franchise and liberty," said Blackstone, 'are used as synonymous terms and their definition is a royal privilege, or branch of the King's prerogative, subsisting in the hand of a subject. Being therefore derived from the Crown, they must arise from the King's grant; or in some cases may be held by prescription, which presupposes a grant.' Blackstone mentions franchises to hold criminal (leet) or civil courts; to have a manor or lordships; to have waifs, wrecks, estrays, treasure-trove, royal fish, or things that had caused the death of a man (deodand); to have a fair, or a market, or right of taking toll; to have a forest, chase, park, warren or fishery, carrying the King's exclusive right to kill the game. 'It is likewise a franchise, for a number of persons to be incorporated, and subsist as a body politic; with a power to maintain perpetual succession, and do other corporate acts.'"<sup>4</sup>

Those to whom such "liberties" or franchises were given and those furnishing military service to the King constituted a class of privileged men, the "freemen." Maintenance of law and order among the freemen made necessary the King's court, and King's justices, to decide disputes; and as a matter of procedure the freemen were given the privilege of bringing suits against each other and of appearing as witnesses and jurors. The freemen recognized the

2. John R. Commons, *Legal Foundations of Capitalism* (1924), p. 214.

3. Commons, *op. cit.*, p. 215.

4. *Ibid.*, p. 48

insecurity of their privileges, depending as they did on the royal prerogative, and in 1215 procured from the King the declaration of their status known as the Magna Carta, providing "that no freemen shall be taken or imprisoned, or be disseized of his freehold, or liberties, or free customs, or be outlawed or exiled, or any otherwise destroyed, nor will we pass upon him nor condemn him, but by the lawful judgment of his peers or by the law of the land." In claiming their 'liberties,' the barons were claiming personal privileges, rather than liberty or property in the modern sense of the terms. They were claiming an "advantageous position in government based on the personal relations of superior and inferior, of dominion and submission," which characterize the relation of sovereign power to subjects. Liberty, in the Magna Carta, meant political privilege.<sup>5</sup>

From the customs of these freemen in deciding disputes among themselves arose the common-law of England; and a few centuries later, there had grown up under this law an entirely different concept of the term liberty—the liberty to buy and sell, to be free from violence, theft and trespass. By the time of Elisabeth the word liberty had come to be understood in this latter sense of the common-law right to equality of treatment among individuals of the same class; while the older sense of a grant of power to participate in the privileges of a favoured class became known as freedom, the rights of the freemen. To this transition in the meaning of the term liberty we will have occasion to refer again.<sup>6</sup>

Previous to the Norman Conquest there had been popular assemblies of freemen which were one and the same time legislatures, courts and executives. The Conquest and the grants of land made by the King replaced these popular assemblies by assemblies of landlords and tenants, since the landlords, as tenants of the King, also had criminal and civil jurisdiction. Some of the custom of pre-Conquest days survived, however, so that while each estate was essentially an agricultural monarchy, it was a limited monarchy, rather than an absolute one like the slave plantations of the United States in the first half of the Nineteenth Century.<sup>7</sup> The courts of these

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<sup>5</sup> Ibid., p. 51.

<sup>6</sup> Ibid., pp. 50, 218.

<sup>7</sup> Ibid., pp. 217-18.

agricultural monarchies, the baronial courts, besides interpreting the customs of the agricultural community and deciding disputes in regard to the duties of sub-tenants, also laid down rules for the regulation of the petty tradesmen and artizans within their jurisdiction. As part of these regulations they established the common-law rule against "restraint of trade," a rule which may be illustrated by two cases, decided in 1300 and 1417. It is said that in 1300 a local court imposed a fine on several candle-makers who "made a covenant among themselves that none should sell a pound of candles cheaper than the other." In the other case, a dyer had agreed under bond not to practice his craft within the town for a certain length of time. The court declared the bond and the agreement void.<sup>8</sup>

Under the feudal system there was no difference between ownership and sovereignty and therefore no difference between rent and taxes. "The King was both landlord and sovereign. So with the barons and sub-barons. Each was both landlord and a combined legislature, executive and chief justice of his baronial estate." All these relations were that of superior and inferior, the superior providing protection for the inferior and the inferior providing certain services for the superior. In the case of the upper classes of tenants these services consisted mainly in the furnishing of armed men on demand, while in this case of the lower classes of tenants they consisted in the provision of personal services and a share of the products of cultivation.<sup>9</sup>

By gradual stages these relations between superior and inferior changed into the modern relations of the payment of rent and the payment of taxes. "As between the chief tenants and the King, the process consisted in depriving them of their armies of retainers and creating a King's standing army; and in taking over by the King's courts from their baronial courts the determination of the customary rents of their tenants, as well as all other civil and criminal jurisdiction." With the taking over of the army the King required funds for its support and for that of the government. "These were obtained in various ways from the chief tenants, often under the form of more or less arbitrary payments under the name of 'aids,'

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<sup>8</sup> Ibid., pp. 49, 264.

<sup>9</sup> Ibid., p. 219.

'benevolences,' 'reliefs,' 'wardships' of infants and children, compensation on occasion on marriage or sale of land, etc." Efforts to commute these arbitrary payments into fixed and regular payments of money resulted finally in the abolishment by the landlord controlled Parliament of 1660 of the military tenures without compensation to the King, but in a substitution in lieu thereof, of a perpetual hereditary excise on the drink of the people. This Act of Parliament created modern landed property, since it substituted for the indefinite duty to pay rent in commodities and services in amounts determined by the chief landlord, the King, the definite duty of paying taxes in cash in amounts determined collectively by the King and the representatives of the tax payers. Historically, then, taxes are not something taken from owners of private property by the sovereign power (as we today are accustomed to think of taxes), but property is sovereignty taken collectively from the King by his tenants.<sup>10</sup> Tawney is therefore historically as well as logically correct when he says that the collection of rents and royalties by the hereditary English landlords is a species of private taxation, and that of a most irresponsible sort, since there is no accounting made for the use of the receipts.<sup>11</sup>

The feudal relations between superior and inferior in the case of landlords and their tenants, had, prior to 1660, in fact principally in the Fourteenth and Fifteenth Centuries, undergone a similar change. The requirement of military service from freehold tenants and of personal service and produce from villeins and copyholders had been changed into fixed money payments. During the Sixteenth Century, when landlords began wholesale evictions of tenants, the King set up special courts to settle the terms of tenure, thus depriving the landlords of their remaining political powers. These courts seem to have relied largely upon custom as the basis for their decisions, but showed no hesitation in discarding customs when they were oppressive. From the customs which they approved arose the common law of the agricultural community, a common law which, a few centuries later, was not to be distinguished from the common law derived from the customs of the freemen. Thus the common law, springing from the customs of the people in

10 Commons, *Legal Foundations of Capitalism*, pp. 219-21.

11 R. H. Tawney, *The Acquisitive Society*, pp. 23, 61.



so far as seemed reasonable to the King's justices, had changed the agricultural monarchies into an agricultural common wealth and had created for the farmers property and liberty.<sup>12</sup> •

We should note that the idea of property which grew up out of the practices of the freemen, out of their landed grants from the sovereign and out of the decisions of the King's courts regarding terms of tenure was not the same as that of the word to-day. Property meant, according to the common law, merely the right to use a thing or to receive the personal services accruing from the possession of a thing, that is, merely the possession of tangible goods.

We have now traced three sources of Anglo-American law in regard to the economic structure of society : (1) the royal prerogative ; (2) the customs of the freemen in deciding disputes among themselves, as enforced by the King's courts ; and (3) the customs of the agricultural communities in deciding disputes in regard to the rent bargain and in the regulation of petty tradesmen, as enforced by the baronial courts and after the sixteenth Century by the King's courts. From the royal prerogative came the 'liberties' of the Magna Carta and the franchises of later times, from the customs of the freemen came the common-law concepts of liberty and freedom, and from the customs of the agricultural communities came the common-law rule against restraint of trade, the differentiation of rent and taxes, and the institution of landed property. From the customs of both freemen and of the agricultural communities came the common-law concept of property.

For the beginnings of the next source of Anglo-American common-law in regard to the economic structure of society we must return to the grants of sovereignty made by the successors of William the Conqueror. To the towns were granted charters giving them a large measure of self-government, and to groups of merchants were granted, either as part of the town charter or as an independent charter, the right of control over the trade of the town. To groups of artisans were granted the rights of control over their own crafts. These merchant and artisan guilds were legalized governments, with popular assemblies, legislatures, courts, executives and with authority to enforce their regulations by fines

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<sup>12</sup> Commons, *Legal Foundations of Capitalism*, pp. 221-22, 224.

and imprisonment. Being granted the sovereign privilege of binding all their members by a majority vote, so that they could act as a unit, they exercised a collective lordship similar to the private lordship of the barons. "Within their jurisdiction no person could compete except on the terms of the fair competition which their rules imposed. They maintained standards of quality of product and of qualifications of competitors designed both to protect the public and prevent destructive competition. They even required members to share with each other the raw material and any exceptionally good bargains that one might come across. They enforced the contracts of their members."<sup>13</sup>

By the close of the Fifteenth Century many of these craft and merchant guilds had become powerful and monopolistic. By this time, also, the concept of liberty as freedom to buy and sell and the common-law rule against restraint of trade had become well established. The courts now invoked this concept of the word liberty and this rule against restraint of trade, and declared all monopolies contrary to the common-law. By a historical misinterpretation, they applied this concept of the term liberty to the "liberties" of the Magna Carta, and declared that the clause of Magna Carta which was meant to guarantee the continuance of sovereign grants forbade them. In this way, beginning in 1599, by a series of decisions of the King's courts, charter provisions and by-laws of the guilds previously confirmed by Kings and Parliaments were declared to be unlawful, inasmuch as a monopoly was "against the liberty of the subject," and "against the common-wealth," and therefore "against the common right and public good," and "against the common-law." In 1624 the same idea was expressed in the Statute of Monopolies, which declared void all grants of the Crown for the "sole buying, selling, making, working, or using of anything" within the realm, except patents for new inventions, for printing and for the manufacture of certain implements of war.<sup>14</sup> During the three centuries since that time the courts of England and of the United States have maintained that monopoly is contrary to the common-law, since it is a restraint of trade. The rule against restraint of trade has also been invoked time and time again in decisions regarding business

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13. *Ibid.*, p. 225.

14. *Ibid.*, pp. 47, 50-51, 226.

practices, not only of corporations and business enterprises, but also of trade associations and of labor organizations.

The merchant and craft gilds, when shorn of their political and monopolistic powers, gradually passed out of existence, or were utterly transformed, as the merchant gilds, in some instances, became city corporations. The gilds, nevertheless, operating under grants of sovereignty, were the spots where capitalism had its origin. When deprived of their sovereign privileges and of their power of enforcement of contracts, it was necessary for the King's courts to take over and enforce the rules of fair competition worked out by them, and to enforce the contracts which had grown up out of their customs and which had previously been enforced in their courts. The King's courts, in enforcing these contracts, made the customs embraced therein, insofar as the justices deemed them reasonable, a part of the common-law. About the same time the government courts began to recognize the customs of merchants at the periodic fairs—customs enforced by the more or less informal merchant courts at those fairs—and also certain practices of merchants in regard to financial dealings with each other.<sup>15</sup>

Among the customs and rules of the gilds and of merchants which thus became, during the latter part of the Sixteenth Century and during the Seventeenth Century, part of the common-law and applicable to all persons in the realm, there are three principles which, together with the passing of sovereignty from the King to Parliament, are the foundations of capitalism as an economic and social system: (1) the enforcement of contracts, or promises; (2) the negotiability of contracts; and (3) the protection and negotiability of good-will. Other customs and rules of the gilds were also, during this and later centuries, taken over by the courts, notably the principle of fair competition, the protection of the quality of the product, and the regulation of the qualifications of practitioners. These last, while accompaniments of capitalism, are not so closely connected with it as an economic and social system as the preceding three principles and we will not need to consider them farther in this Paper.

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15. Ibid., pp. 226, 230-31.

The limitation of the King's prerogative was a necessary foundation of capitalism, inasmuch as business could not be free and secure as long as the King had capricious control, especially over currency, franchises and rents, and the power of appointment of justices of the courts. The currency ceased to be altered arbitrarily by the King after the middle of the Sixteenth Century; franchises were taken from the personal control of the King by the victory of Parliament in the civil wars and by the Act of Settlement of 1700; taxes were substituted for rents in 1660 and in 1689 made leviable only with the consent of Parliament; and the revolution of the Seventeenth Century and the Act of Settlement of 1700 abolished some of the courts, and made the judges of the rest independent of the King. In England Parliament retained the right to overrule the courts, but in the United States of America the Supreme Court was made the final interpreter of the Constitution and power higher than that of Congress. By these means, and by the development of political parties, the propertied and business interests were able to control the sovereign power<sup>16</sup>.

The principle of enforcement of promises, or contracts, while taken from the practices of gild and merchant courts, was yet a gradual development by the courts out of the feudal common-law in respect to the recovery of tangible goods wrongfully detained and in respect to violent trespass on lands or chattels or persons. This gradual development began as early as the Thirteenth Century, and finally became the modern form of contract in the latter part of the Sixteenth Century. Without going into the stages of this development, we may illustrate the vast difference between the earlier and later ideas by the case of rent in arrears. Under the feudal courts an action by a landlord to recover rent in arrears was not an attempt to enforce a contract; it was an attempt to recover a thing which was due to the landlord by virtue of his superior relation to his tenant. With the development of the law of contracts, and with the change of status of both superior and inferior to that of freemen, this relation between superior and inferior became a contract between equals, and rent a price bargain rather than a duty devolving from a personal relationship<sup>17</sup>.

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<sup>16</sup> Ibid., pp. 231-33.

<sup>17</sup> Ibid., p. 239.

Under the feudal system all contracts were personal relationships, such as some contracts are to-day, a contract for marriage, for example. No contracts could therefore be assigned to a third party without the consent of both the original parties. The merchants of England and of Holland developed the system of negotiability of money contracts in the forms of promissory notes and bills of exchange. The justices of the English courts had great difficulty in reconciling this practice with their common-law concepts of contracts as personal relations. Negotiability of foreign bills of exchange began to be recognized, however, very early in the Seventeenth Century. Later on, when it had been proved that the negotiability of inland bills of exchange was a custom of merchants, such assignments were enforced by the courts, but it was not until the end of the century that the custom was generally recognized and all assignments of bills of exchange enforced as a matter of course. Negotiability of promissory notes of the London goldsmiths, the originals of the modern banknote, was not recognized until the Act of Parliament of 1705. The importance of the assignment and negotiability of contracts can be seen by a consideration of its effect on the rate of interest and on the turnover of capital by a merchant. It has made possible modern banking, with its utilization of the funds of anyone in the community who has no immediate use for them, thus greatly reducing the rate of interest; and it has made it possible for the merchant to turn over his capital several times a year, since he can sell his bills at once instead of having to wait for the purchaser to pay.<sup>18</sup>

It was also at the beginning of the Seventeenth Century that the courts began to take notice of good-will in business relations. The issues came up in the case of a merchant who had sold his stock of goods at a price in excess of their inventory value, and had agreed not to set up in business in competition with the purchaser. Up to this time all such contracts had been held to be in restraint of trade, but in this case, decided in 1620, the court held that the contract should be enforced. Thus the court sanctioned the sale of good-will, or part of the liberty of an individual, and made that good-will property. Even earlier than this notice was taken of trade marks and an infringer on a trade mark forced to pay damages,

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<sup>18</sup> Ibid pp. 250-53.

another case of protection being given to intangible as distinct from physical property. During the Eighteenth and Nineteenth Centuries copyright and patent laws, essentially cases of good-will, were established and interpreted, and the idea of good-will as a business asset and as a property right was gradually developed to its present place of outstanding importance in business<sup>19</sup>.

Feudalism as an economic order had been destroyed when the King's courts took over the work of the feudal courts and of the gild courts, and when the landlords were deprived of their political powers and the gilds of their monopolies. It was the movements we have just described—the limitation of the King's prerogative, the enforcement and negotiability of contracts, and the protection and negotiability of good-will—which gave form to the economic order which was to succeed feudalism. That order soon became known as capitalism, by virtue of the fact that the control of industry rested in the hands of the owners of capital, but did not reach its highest stage of development until after certain legal changes in the Nineteenth Century. In discussing these changes we shall consider primarily the United States.

The first of the Nineteenth Century developments to be considered is the rise of corporate enterprises. Most of the grants of sovereignty and special privileges made during the feudal era were, as we have seen, during the Sixteenth and Seventeenth Centuries either nullified or converted into property rights. In most of these cases, moreover, the right to make such grants either ceased to exist or remained unused. The privilege of making one type of grant, however, the corporate franchise, was retained by Parliament and bestowed occasionally on favored groups of individuals. About the middle of the Nineteenth Century, under the adoption of general incorporation laws, this special privilege was opened to any group of persons fulfilling certain specified conditions. The corporate franchise is a real grant of sovereignty, the sovereign powers consisting of immortality, self-government and limited liability. The corporation is also a sort of person, for it is given all the powers and privileges of a person in all matters relating to property and business<sup>20</sup>. These aspects of sovereignty and of per-

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<sup>19</sup> Commons, *Legal Foundations of Capitalism*, pp. 263-64. 274ff.

<sup>20</sup> *Ibid.*, pp. 292-3.

sonality, together with a change in the meaning of the word property during the latter part of the Nineteenth Century, make the corporation the institution which is the essential feature of capitalism today.

When, after the Civil War, it was desired to give the former slaves the rights of citizenship and to provide against the possibility of slavery in the future, there were added to the Constitution of the United States the Thirteenth, Fourteenth and Fifteenth Amendments. The Thirteenth Amendment, forbidding slavery or involuntary servitude, merely gave the former slaves liberty, that is, absence of restraint on the part of others. It did not confer on them any right to participate in government, nor any right to invoke the aid of the courts in the possession of property. To confer these rights, historically the rights involved in the concept of freedom, the rights of freemen, now called citizens, was the purpose of the Fourteenth and Fifteenth Amendments, providing that all persons born or naturalized in the United States are citizens, that no State can abridge the privileges of citizens, that no State shall deprive any person of life, liberty or property without due process of law, and that the rights of citizenships shall not be denied on account of race, color, or previous condition of servitude<sup>21</sup>.

Not many years after the adoption of this amendment, the legislature of Louisiana granted to a corporation a monopoly to maintain slaughtering places in the city of New Orleans, and regulated the charges to be made to other butchers who used the facilities of the corporation. The butchers maintained that this deprived them of both their liberty and their property without due process of law, since they had been deprived of the income from their possessions, and that the statute was therefore unconstitutional. Decision of the case, which came before the Supreme Court of the United States, turned on the definition of the words liberty and property in the Fourteenth Amendment. Did liberty include the civil right of buying and selling, and did property mean exchange-value or did it mean mere physical possessions? "If the courts should hold that property meant exchange-value, then the Federal Court would take jurisdiction under the Amendment. But if property meant only the use-value of physical things, then the court

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<sup>21</sup> Ibid., pp. 118-20.

would not interfere with the legislature of Louisiana." The Supreme Court, in 1872, by a majority opinion, held that the term property as used in the Fourteenth Amendment retained its common-law meaning of physical things held exclusively for one's own use, and that the term liberty meant only freedom from personal slavery—since the purpose of the Amendment was merely to protect individuals in their right of freedom from slavery and there was no intention of transferring the protection of the liberty and property of individuals from the States to the Federal Government. The minority of the Supreme Court, however, expressed the opinion that the monopolistic feature of the law deprived the other butchers of their liberty and property. One of the justices declared that the "right to choose one's calling is an essential part of that liberty which it is the object of government to protect; and a calling, when chosen, is a man's property and right. . . . Their right of choice is a portion of their liberty; their occupation is their property"<sup>22</sup>.

Eighteen years later, the Supreme Court reversed its position and changed the legal definition of property in its decision in the *Minnesota Rate Case*. In this case petitioners for railroads asked the Supreme Court to review its former decisions regarding the regulation of rates by the States and to restrain the state legislature from fixing the prices charged for the use of property. The Supreme Court decided that the power to regulate, a function of the police power, is not a power to destroy, that limitation is not the equivalent of confiscation, and that whether or not a rate is confiscatory, that is, is a deprivation of property, is a question for judicial investigation. This decision was an acceptance of the definition of property as exchange-value, and made protection of property a duty of the Federal rather than of the State courts. It is, of course, the logical development of the line of decisions beginning in 1620 protecting the negotiability of good-will, and is the only concept of property which is satisfactory in business relations. Protection accorded a corporation in the possession of physical things is of no importance if there is no protection of the income arising from those things; while anything, material or immaterial, tangible or intangible, which can be made to yield an income is valuable, and hence should receive

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22 Ibid., pp. 11-12.



the protection accorded to property<sup>23</sup>.

Since 1890 this concept of property has been consistently adhered to and in fact further developed. Good-will, patent rights and other intangibles are all considered property; and in the evaluation of the property of public utility companies as a basis for rates there is an allowance for the value of the plant as a "going concern" above the value of the materials and equipment of the plant. It is on this value of its plant as a going concern that public utility companies are allowed to earn a rate of not less than eight per cent.—anything less than this being a deprivation of property and therefore confiscatory and unconstitutional. Public utility regulation, according to the courts, is a state affair, but by this interpretation of the word property in the Fourteenth Amendment, the ability of state legislatures and of state public service commissions to fix the rate charged by public utilities is seriously limited. Since public utility companies can raise most of the actual capital investment in their plants by the issuance of six per cent bonds or preferred stock, an income of eight per cent on the valuation of the plant as a going concern may mean many times that per cent on the common stock. In June 1925 the Supreme Court declared unconstitutional an Oregon State law requiring all children to attend the public schools on the ground that the right to conduct schools is a property right of which no citizen may be deprived by arbitrary, unreasonable or unlawful interference, as well as on the ground that the right of parents and guardians to direct the education of their children and wards is a part of their liberty.

These decisions of the Supreme Court limiting the right of the States to regulate the use and the income to be derived from private property have been accompanied by other decisions which have made liberty little more than an adjunct of property, so that the liberties of propertyless persons, probably a majority of the people of the United States, are liberties in little but name in so far as their protection under the Fourteenth Amendment is concerned. The state legislatures cannot take away a man's property, but they can take away from workingmen and others without property the right of indictment by jury, of trial by jury, the right of exemption from

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23 Ibid., pp. 14-17, 293.

self-incrimination, the right to be present throughout a trial, and the right of free speech.<sup>24</sup> When an employer requires his employees to sign an agreement not to join a union while in his employ, a trade union may not attempt to enlist such employees as members, because this would be an attempt to procure a breach of contract. Neither a State nor Congress can prohibit employers from insisting that their employees sign such contracts, for: "Included in the right of personal liberty and the right of private property—partaking of the nature of each—is the right to make contracts for the acquisition of property. Chief among these contracts is that of personal employment, by which labor and other services are exchanged for money or other forms of property."<sup>25</sup> Employers are secure in their liberty to discharge an employee for union affiliation, or to circulate a workman's name on a blacklist and thus to destroy his livelihood, but a trade union which attempts to persuade customers to boycott an employer's business is engaged in the unlawful destruction of property. "The labor union, which attempts to persuade a laborer to leave, is damaging business without a good excuse, whereas the competitor or employer who similarly persuades the customer or laborer to leave, has a good and lawful excuse."<sup>26</sup> An employer is secure in his right to persuade workmen to enter his plant as strike-breakers, but a union is not secure in the right to place pickets near the plant for the purpose of persuading workman not to work as strike-breakers.

Capitalism is defined by Professor Commons as production for the use of others and acquisition for self.<sup>27</sup> This definition may serve to distinguish capitalism from feudalism, but Professor Commons shows that modern capitalism is far more than this. Capitalism today is a system of industrial government by property owners accorded sovereign powers by corporate franchises, and, in the case of the United States, with property rights protected by the Supreme Court against interference by the separate states or by Congress. These industrial governments exert nominally and frequently in practice autocratic power over the destinies of hundreds of thousands of individuals. In fact, the rules and regulations of these industrial

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<sup>24</sup> Ibid., pp. 338-39. 355.

<sup>25</sup> Ibid., pp. 289, 294.

<sup>26</sup> Ibid., p. 296.

<sup>27</sup> Ibid., p. 21.

governments often affect the lives of wage-earners more profoundly than the rules and regulations of the city or of the state.

The first quarter of the Twentieth Century will probably go down into history as the period of the height of the capitalistic system, for it is becoming evident that undiluted capitalism, with its autocratic form of industrial government, is an essentially unstable economic and social system, and it is already apparent that important modifications in our economic structure must be made before great sections of the population will be satisfied. Under the rapid development of the industrial arts and the influence of an unstable price level, modern industry has become, as Veblen puts it,<sup>28</sup> so inordinately productive that those at the head of our industrial governments, the corporations, find it necessary, or at least to their advantage, either constantly to restrict production below productive capacity or frequently to shut down their factories and entirely cease production, and also to spend their best energies on advertising and the development of a market for their products. This legal sabotage<sup>29</sup> by property owners is reflected in a growing insecurity of livelihood of the propertyless wage-earners, while at the same time the advertising campaigns are a potent element in stimulating unrest among the wage-earners and thus creating in them a dissatisfaction with their wages and working conditions. The wage-earners, in their turn, attempting to gain security and a share in the higher standard of life made possible by the progress of the industrial arts, and dissatisfied with the autocratic government of industry, find it necessary, or at least advantageous, to restrict production and frequently to refuse to produce at all. Thus capitalism today, based on the security of property and on the economic control exercised by property owners associated into corporations, is unstable because of the economic servitude and the economic insecurity of the wage-earners.<sup>30</sup>

Probably the most significant movements of contemporary Anglo-American history—certainly more important than the recent World War—are those movements designed to modify capitalism

28. Thorstein Veblen, *Absentee Ownership*, pp. 230-31.

29. Veblen's phrase. *Op. cit.*, p. 213 a. d. ff. Commons refers to the restriction of output by employees and employers in the *Legal Foundations of Capitalism*, pp. 305-6, and in "Unemployment—Prevention and Insurance," in *The Stabilization of Business*, p. 169.

30. Commons, *Trade Unionism and Labor Problems*, Second Series, p. 8; and also *The Stabilization of Business*, pp. 169, 173.

so as to provide for the propertyless wage-earner the economic freedom and the economic security which is today enjoyed only by the owners of property. Capitalism modified in such a way as to provide this economic freedom and this economic security for the wage-earner and for his participation in the government of industry would, it seems likely, be a relatively stable form of economic organization.<sup>31</sup> It promises, at least, to be more stable and productive of a higher standard of life than either state socialism, or a form of syndicalism, or the dictatorship of the proletariat, or any form of true communism—or a return to slavery or to feudalism.

The beginnings of such a modification have already been made. These beginnings are the customs of wage-earners in regard to the wage bargain. Wage-earners, through their unions, demand collective bargaining in regard to wages, hours and working conditions: that is, they ask that the autocratic form of government in industry be replaced by some form of representative or democratic government, in so far as that government has important effects on the lives of wage-earners. They ask also that their right to the job be recognized, that their livelihood be not snatched away by arbitrary discharge, and they are beginning to ask guarantees of continuity of employment or else the building up of reserve or insurance funds for the payment of wages when factories are closed.

Out of the customs of labor there is gradually being developed an industrial government which is limiting the prerogatives of capitalism and its agents, just as the customs of the freemen and the customs of the business men limited the prerogative of the King. Likewise the laborers are gradually achieving a participation in that industrial government in the protection of the job, just as the freemen and business men achieved participation in the state government in the protection of person, of property and of business. "A common-law of labor is being constructed by selecting the reasonable practices and rejecting the bad practices of labor, and by depriving both unions and management of arbitrary power over the job." "Out of the wage bargain a constitution for industrial government is being constructed by removing cases from the prerogative of management

<sup>31</sup> Cp. Commons, "Marx Today: Capitalism and Socialism," in the *Atlantic Monthly*, v. 136, pp. 682-93.

and from the arbitrary power of unions and by subjecting the foremen, the superintendents and the business agents to the same due process of law as that which governs the laborers."<sup>32</sup>

Such constitutions for industrial governments have their beginnings in the various trade agreements between unions and employers; and in one important industry in the United States such a constitution is fairly well developed. Since 1911 there has been developed by the Amalgamated Clothing workers of America, out of a scheme of arbitration originating with the Hart, Shaffner and Marx Company, an elaborate industrial machinery, with recognized channels of procedure for changes in policy and with courts to settle all cases of disputes and interpretations. With the adoption of limitations upon the management which might be summed up in the clause: "No employee shall be deprived of his job, nor of a part of his livelihood, nor shall any action be taken in regard to conditions of employment or of management which affect his interests adversely, without due process of law," the Amalgamated Clothing Workers have also placed limitations upon themselves which might be summed up as follows: "No employee shall engage in a strike or a stoppage nor fail to maintain the standard of workmanship agreed upon."<sup>33</sup>

That this movement toward constitutional government in industry will continue we think exceedingly probable. Will history repeat itself, we wonder? Who knows but that when such industrial courts have become common and when they have built up a substantial body of precedents, the government courts will deprive them of their power and incorporate the common-law of labor with the common-law of personal security and of property? Perhaps, at the end of the Twentieth Century, the Supreme Court will set the final seal of authority on the principle of security of labor in respect to the job by the simple device of a logical extension of the meaning of the word property. For if property is nothing but the expected income accruing from the exchange-value of things, tangible and intangible—and this is today the legal definition of property in the United States—should not a job be property also?

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32 Commons, *Legal Foundations of Capitalism*, pp. 311-12.

33 Cp. Commons, *op. cit.*, p. 312.

## SUMMARY

Customs of the freemen of England in the settling of disputes among themselves were interpreted and enforced by the King's courts, and became the common-law of liberty and personal security. Customs of the agricultural communities in regard to the rent bargain were interpreted and enforced at first by the baronial courts, and later by the King's courts, and became the common-law in regard to the rent bargain and landed property. Customs of businessmen in regard to the price contract were interpreted and enforced by the gild courts and merchant courts, and later by the government courts, and became the common-law of business. Customs of wage-earners in regard to the wage contract are now in process of being interpreted and enforced by industrial courts, and may eventually be enforced by the government courts and become the common-law of labor.

From the customs of the freemen came the ideas of civil liberty and of freedom and the state policy of protection of person. From the customs of the agricultural community came the ideas of rent and taxes, the common-law doctrine of restraint of trade, and the public policy of protection of landed property. From the customs of the businessmen came the ideas of negotiability of contract and negotiability of good-will, ideas which developed into the modern idea of property, and the public policy of protection of business property. From the customs of the wage-earners there is arising the idea of security in respect to the job and the idea of industrial democracy, and the industrial policy of protection of the job.

The freemen placed a limitation on the prerogative of the King and gained participation in the protection of person and possessions; the landlords and sub-tenants placed further limitations on the prerogatives of the King and achieved participation in the protection of landed property; the business men placed still further limitations on the King's prerogatives and achieved participation in the protection of property and business; while the wage-earners today are seeking to limit the prerogatives of those in control of industry and to achieve participation in the protection of the job.

Out of the customs of the freemen was developed the institution

of freedom, or citizenship; out of the customs surrounding the rent bargain were developed the institutions of tangible property and of constitutional government or sovereignty; out of the customs surrounding the price bargain were developed the institutions of incorporeal and intangible property and of the corporate organization of industry; while out of the customs surrounding the wage bargain there is developing the institution of representative government in industry.<sup>34</sup>

The courts, throughout this evolution of the economic structure of Anglo-American society, have acted in a selective capacity. New ideas and new practices originate in the customs of the people; and from among these custom the courts select those for their approval which they feel to be desirable and to the public advantage and incorporate them into the common-law. Such was the method by which feudalism gradually developed into capitalism, and by which capitalism is gradually achieving stability by being modified in the interests of the workers in industry.

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34 Ibid., p. 313.

## • RAIYATI HOLDINGS IN BENGAL—ARE THEY ECONOMIC?

BY

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" \* \* \* He (the raiyat) scantily heeds,  
So food suffice, the toilsome life he leads :  
A patient man, too simple to complain.  
And sometimes' mid his fellows, as they troll  
Their rustic songs at eve, in mellower mood,  
He half forgets the ills that tame his soul :  
The nightly tiger thirsting for his blood,  
The ambushed cobra gliding from its hole,  
Nature's blind force, the famine and the flood ".

..... *Webb.*

The raiyat is the most important person in the economic life of Bengal, how-much-so-ever he may be neglected by the political busy body. Numerically his fraternity form more than three-fourths the total population. According to the latest Census figures those that work on the soil number 40,543,580 persons out of a total population of 47,592,462. He takes little notice however of the political world and is hardly affected by those mysterious changes in fashion that are apt to absorb the attention of more civilised individuals. He can drink any water he comes across without regard to the cautious considerations that keep the civilised townfolk from all but the boiled and filtered product. He can eat anything that does not affect his caste without the carping knowledge that it may contain the germs of cholera or the bacilli of some other fell disease. As far as his experience carries him, the raiyat finds that poverty is pandemic, suffering sporadic, and independence practically invisible, and he is not therefore disturbed by that "apprehension of the good" that "gives but the greater feeling to the worse". He is the victim of economic forces over which very little control is exercised. Between the landlord and the money-lender he finds himself as between



two jaws of a vice which, under the peculiar legal system of the country, are screwed closer by the Courts of Justice. He does not care to dabble in questions of economics and hardly scrutinises whether his holding is economic or not. Government or patriots have to think for him. It is fortunate that the destiny of the dumb millions of India has now been placed in the hands of a Viceroy who by his previous experience as the Minister of Agriculture in Great Britain is sure to prove the raiyat's friend and as a matter of fact has, from the very start of his career in India, been taking keen interest in the welfare of the agricultural community. The appointment of a special Commission to examine the agricultural problems of the country with a view to the amelioration of the condition of the raiyats with Lord Linlithgow as President which synchronised with the auspicious advent of His Excellency Lord Irwin was also most opportune. The Commission have already finished their tours and the fruits of their labours will soon get crystallised in the form of a report, and be placed in the hands of the public. Their questionnaire included such subjects as the aggregation of fragmented holdings, joint forming &c. Their considered opinion on these subjects and the solution which it may suggest will be vital to the interest of the raiyat.

With the increase of population the sub-division of holdings is gradually increasing, and the subject has long engaged the attention of Government. So long ago as in December 1917 the question of uneconomic holdings was discussed at the conference of the Board of Agriculture held at Poona. Experts from all parts of India assembled there were of opinion that the science of Agriculture was powerless so long as the cultivator's holding continued to be short of an economic unit. The following was the Resolution passed by them:—"That this meeting of the Board of Agriculture recognises that in many parts of India the extreme and increasing sub-division of the land and scattered character of the holdings together form a very serious impediment to agricultural progress and the adoption of agricultural improvements, and wishes to suggest that the attention of Local Governments be called to the matter. It recommends that the question be closely investigated and experiments made in each provincial area in consultation with the Registrar of Co-opera-

tive Societies with a view to the adoption of such measures as seem best adapted to meet the special local circumstances and to the introduction of such legislation as may be necessary". Mr. J. F. Keatings of the Agriculture Department recently giving evidence before the Royal Agricultural Commission pointed out that the distribution of land among cultivators in India was most prejudicial to production, the small holdings being un-economic in size and shape. He stated that he could re-call tracts where rare holdings of suitable size and shape stood out from the surrounding ineffective cultivation like bright stars. It is not possible to lay down by a rule of thumb what is an economic unit, for it is a relative quantity varying with the standard of civilization. The record of rights, which forms the Magna Charta of the raiyat and has been prepared during the last two decades for several districts in Bengal, contains a mine of information, and the settlement reports prepared under the auspices of distinguished members of the Imperial and Provincial Services supply information regarding the average size of holdings, the average annual income and necessary expenditure per head. The following statistics about some districts are illuminating :—

District.	Average size of a raiyat's holding in acres	Average annual agricultural income per head per annum	Average necessary expenditure per head per annum	Average necessary annual expenditure for a family of 5 or 6 persons
		Rs. a. p.	Rs. a. p.	Rs. a. p.
Midnapur ..	1'29	48 0 0	48 0 0	240 0 0
Bakarganj ..	2'51	29 0 0	50 0 0	250 0 0
Faridpur ..	1'39	60 0 0	50 0 0	250 0 0
Dacca ..	1'58	57 0 0	54 0 0	250 0 0
Mymensing ..	2'67	72 0 0	56 0 0	280 0 0
Rajshahi ..	3'50	40 0 0	50 0 0	200 0 0
Noakhali ..	2'30	30 0 0	50 0 0	200 0 0
Jessore ..	1'50	54 0 0	53 3 0	240 0 0

It will appear from the above figures that in no district the average necessary expenditure of the raiyat's family is covered by the average income from the holding. In those districts where there is appreciable disparity between income and expenditure, the problem must be very acute, and something requires to be done to prevent perpetual indebtedness. The average income per head in the eight districts ranges from Rs. 29 to Rs. 60. This does not

compare favourably with the figures ascertained for some of the other provinces of India. For example in the Madras Presidency the average agricultural income has been estimated at Rs. 100 and in the Bombay Presidency at Rs. 75. Compared with the figures for India as a whole the out-look in Bengal is not, however, so cheerless. Sir Rushbrook Williams observes in respect of the whole of India—"Where rainfall is precarious and uncertain, and the soil shallow and poor, the income from all sources per head in a typical village has been calculated at Rs. 33-12-0 per annum as against a minimum of expenditure necessary for real needs in respect of food and clothing at Rs. 44 per annum". Major Jack in his *Economic Life of a Bengal District* has estimated the average family debt to be Rs. 58 per cent. of the annual income amongst cultivators.

The average size of the holding is different in different districts, and a bigger size is not necessarily indicative of a larger yield. It is the out-turn from the holding that is the most important factor in determining the raiyat's prosperity. In some districts the soil is more fertile and a smaller area yields sufficient quantities of crops. For example, in Midnapur although the size of the holding is only 1.29 acres, the out-turn is just sufficient to keep a single person above want, while in Bakarganj although a raiyat holds more land he is not in a position, if he is to depend on his agricultural income alone, to keep soul and body together. Whatever may be the size of a holding, it should not be so small, however, as to be below the point of marginal utility. Administrators are required to see that the poor raiyat who is so ignorant as not to be able to think for himself is kept back from such a crisis. The raiyat should be in possession of such quantity of land as may be sufficient for the proper maintenance of himself and his family. In view of the statistics for the eight districts referred to previously, the size of an economic holding in Bengal should be 5 to 8 acres, assuming that each cultivator has 5 or 6 persons dependent on him.

Although the average size of a holding does not indicate the total land held by a family, for it is not unoften that more than one holding is held by a person under different landlords or separate holdings are possessed by the different members of the same family, there is no gainsaying the fact that the sub-division of holdings which

is continuously going on is a great hindrance to the economic prosperity of the raiyat. It is a serious impediment on the way of land development and land improvement, to effective organization and even to adequate tillage and intensive cultivation. The small size of the holding means a greater exhaustion of the soil, an insufficient security for the raiyat and consequently a higher rate of interest which he borrows ; and is a fruitful source of friction and litigation

Under existing conditions it seems almost impossible to forcibly restrict the size of a holding while so many factors are constantly in operation, *viz*, increasing population, frequent transfer of land, and the rigid laws of succession. The gradually decreasing size of a holding with the lapse of ages is inevitable and not peculiar to India. Even in a country like America, where there are no rigid laws of succession at work and where the people are not so ignorant, the size of farms has gradually decreased with the increase of population. In the United States the average size of a farm was 202'6 acres in 1900 when population increased a little over 20 per cent. Dr. Mann's examination of the sizes of holdings in the Deccan shows the following results :—

Year	Average size of the holdings
1771	40 acres
1818	17½ „
1820—40	14 „
1915	7 „

Such holdings have been sub-divided into 729 separate plots of which 463 are less than one acre and 211 less than one-fourth of an acre, although according to the estimate of competent authorities anything less than 10 to 15 acres would not be an economic holding in that area. If statistics for other parts of India be taken the figures would be equally alarming. In America and Europe the laws of succession may easily be changed with the exigencies of circumstances and to suit the economic conditions of the country, but in India any interference whatsoever with the fixed dogmatic principles enjoined in religious books or scriptures will be considered revolutionary and sacrilegious. The rigorous law of inheritance cannot possibly be modified by legislation. The transferability of holding is also difficult to stop, so long as the root causes leading to such

transfer cannot be checked. This involves a difficult economic question which cannot be solved in a day or by a sudden legislative coup.

A comparison of the sizes of agricultural holdings in the different countries as specified below will show the relative position of India in that respect :—

<i>Name of country</i>		<i>Average size of holding.</i>
England and Wales	..	62 acres
Germany	..	21·5 „
France	..	20·25 „
Denmark	..	40 „
Belgium	..	14·5 „
Holland	..	26·0 „
United States	..	148 „
Japan	..	3 „
China	..	3·25 „
India	..	2 to 3 „

In India itself the sizes of holdings vary considerably in different provinces as will be evident from the following figures :—

<i>Name of Province</i>		<i>Average size of raiyat's holding.</i>
United Provinces..	..	7·83 acres
Madras Presidency	..	3 to 4 „
The Punjab	..	8 to 10 „
Behar	..	1 „
Orissa	..	8 „
Bombay Presidency	..	12½ „
Bengal	..	1¼ to 2·08 „

So far as area is concerned, the size in Bengal is practically the smallest.

The economic difficulties which a Bengal raiyat has to contend against are accentuated by the exceedingly small size of his holding. The fertility of the soil in Bengal and the various fruit crops (*e.g.*, betelnut, coconut, jack, mango, plantain etc.) which he derives from his holding do not serve as an adequate set off. The only panacea lies in education and co-operation. Cultivators require to be educated in methods of intensive cultivation. They should learn how to

grow a variety of crops on the same plot of land without impairing the quality of the soil by the use of different kinds of manures. They may be taught to go beyond the results of experiences of their fathers in order to keep abreast of the changes of the day and to follow closely the movements of agricultural science and practice. Real agricultural education which will teach a cultivator how to improve his profession instead of shunning his ancestral calling will make up a good deal for the so-called "disability of agriculture". The socialistic ideal of a centralised agricultural system must replace the growing economic individualism. The old rural communalism which has died out in many provinces without being accompanied by the birth of any new conception of social solidarity should be restored. The old communal habits should be adapted to new social and agricultural needs. Co-operative associations for carrying out experiments in new methods of agriculture and organisation should be formed throughout the country. The aim of these co-operative associations should be to adopt, in a manner suitable to modern conditions, the organisation of the joint family, caste and village community. The economic problem can only be solved by agricultural re-organisation on co-operative lines based on the traditions of the past and supplemented by arrangements for the co-operative supply of agricultural requisites and the marketing of agricultural produce. The results attained by the co-operative society at Khepupara in the Sunderbans area of the Bakarganj district should serve as an object lesson. In the matter of size of the holding the Japanese and the Bengali are almost similarly circumstanced. But the Japanese cultivator is far more prosperous than is Bengal compeer, and this is due to his superior methods of agriculture and better organisation. In Japan there are diverse forms of co-operative organisations and brotherhoods. There are societies for the improvement of seeds and manures, for killing insects and destroying weeds for breeding cattle and the like. The evil of fragmentation is dealt with in that country by the adoption of methods of communalism which prevailed in the days of yore in India. The Japanese law permits a certain majority of farmers in a village to apply for forcible allotment and "restripping" of the land, each man receiving a consolidated block in one or two places. In the Punjab

co-operative consolidation by consent has been effected in a number of villages. There should be some sort of legislation to enforce the consolidation of holdings where a majority of cultivators in any area for adequate reasons apply for it. In any case co-operation is the main thing needful, and truly did His Royal Majesty on the occasion of his coronation in India observe: "If the system of co-operation can be introduced and utilised to the full, I foresee a great and glorious future for the agricultural interests of this country".

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## IMPORTS OF VEGETABLE PRODUCTS INTO INDIA

The Vegetable products are being imported into India in the form of vegetable ghee, vegetable fat, vegetable flour etc. It is only from 1st April 1927, that the Director-General of Commercial Intelligence and Statistics has begun to give separately the quantity and value of the imports of vegetable products in his monthly 'Accounts relating to the Sea-borne Trade and Navigation of British India'. Therefore the quantity and value of the imports of vegetable products during the last three months only are given below :—

Month	Quantity imported	Value
April 1927	13,069 Cwt	Rs. 6,42,557
May    "	14,046   "	" 6,21,905
June    "	16,950   "	" 6,99,591

The import of these vegetable products in such large quantities every month has led to the adulteration of ghee and flour. With regard to ghee the situation has become so serious that now it is extremely difficult for a consumer to get pure ghee from any shop-keeper. No doubt it is the duty of Municipalities to prevent the adulteration of food stuffs in their areas. But the staff that they have employed for this purpose is wholly inadequate and they have failed miserably in checking the evil. As yet no steps have been taken by the Provincial Governments to prevent adulteration of food stuffs in rural areas.

The vegetable products may not be containing animal fat and may be harmless in themselves. But they can not have all the qualities of pure ghee or flour with which they are mixed up. We would not have taken any notice of these imports, had these commodities been sold to the consumers in pure condition as vegetable products. But unfortunately, as stated above, these products are being used by retail shop-keepers to adulterate ghee and flour. Flour being a necessity of existence, its adulteration is sure to affect adversely vast majority of consumers.



As the imports of vegetable products have given numerous chances to unscrupulous shop-keepers to adulterate ghee and flour in India, and as the machinery for preventing the adulteration of food stuffs in India has not been sufficiently developed, it is the obvious duty of the Government of India, in the interests of vast majority of consumers, to take immediate steps to prohibit the imports of the vegetable products into India.

DAYA SHANKAR DUBEY

## REVIEWS OF BOOKS

### RELATING TO INDIA

**ECONOMIC LIFE IN A MALABAR VILLAGE:** By S. SUBBARAMA AIYER, M.A., Published by the University of Madras, Economic Series, No. 11, 1925.

The above mentioned publication gives the results of an economic survey carried out by Mr. S. S. Aiyar in the village of Nelluyaya in the northern-most Taluk of the Cochin State. A close study of its contents reveals the pleasing fact that it gives us information not only about the facts regarding life and labour in an isolated single village, but also gives us a general sketch of the conditions met with in rural Malabar, about which our information was at best but hazy.

Unlike the economic surveys embodied in Dr. Slater's 'Some South Indian Villages,' the present work gives us facts about the village under investigation with their attendant settings. Thus in Chapter I which gives us the economic geography of the village we find a general discussion of the physical characteristics of Malabar as a whole, and this is ably connected with the economic life of the region as well as of the particular village. The same method of treatment we find in his discussions of Land Tenures (Chap. II), Holdings and areas under cultivation and so forth. By presenting the facts about a single village in their proper background the author has made it easy for people in other Provinces to understand what he has to say and at the same time he gives us a valuable suggestion as to a convenient method of delineating facts in our future investigations in rural life in these provinces. For this the author deserves our sincere thanks.

The literature on the rural life of the various parts of such a big country as India is yet scanty, and all efforts like the present one deserve encouragement, and the best way to encourage is to give a careful reading to what is embodied, in this book. And we can assure the would-be-readers that the time spent on the present work will be well utilized.

B. G. BHATNAGAR.

*Unemployment.* By CAPT. J. W. PETAVEL, Lecturer on the Poverty Problem, Calcutta University, Calcutta, the Capital Ltd., Publishers. Price, 8 annas.

Unfortunately the problem of unemployment is becoming matter of

serious concern in India also, especially for the people of the educated Middle Classes. Provincial Governments one after another, have been appointing Committees to study this problem in a restricted or an extended form. The Madras report has not as yet come into our hands, and the Punjab Committee have not as yet begun their labours, and the other Reports of the Bengal or the Bombay Committees, have only touched the out-skirts of the problem. An All-India enquiry is procluded, as it is stated that the subject is one which does not fall directly under the control of the Central Government.

However, one is not sure whether after all real light on the problem cannot be thrown by the experience gathered and gained in institutions like the Maharajah Kasimbazar's Polytechnic institute, Calcutta, of which Capt. J. W. Petavel is the talented and well beloved Principal. For here under the Calcutta University Poverty Problem Study, Capt. Petavel, with his capable Staff, and large group of influential supporters, and with the blessings of the late lamented Sir Ausutosh Mukerji, Vice-Chancellor of the Calcutta University, has applied himself not only to the study, but to the practical solution of this malady. This Institute is *unique* in India.

One of the important factors which led that experiment to be tried was the successful solution of a more or less similar situation in Switzerland in respect to vagrants.

The root of the difficulty of the matter would seem to lie, according to the author, in the defective type of education imparted to people in their childhood and boyhood everywhere, and particularly in India. Writes the Captain, "Fundamentally, however, the position as regards the problem of Unemployment can be summed up as, follows:—Our education system is admittedly quite unsatisfactory, and when we remedy its defects in the only way in which we can remedy them we shall solve also the problem of unemployment." And the bed-rock of their scheme is that along with imparting ordinary instruction, children will also be gained and taught to do *useful work*, the *products* of which could be taken home and utilized, or sold in a co-operative way from the "Educational colony itself." Thus the children in Schools would be "earning whilst learning." The developing of the creative—impulses in the students would, it is maintained, lead to highly beneficial results in more directions than one, since there would be a harmonious and not a one-sided growth of all the various faculties with which the children of men are supposed to be endowed.

The emphasis is laid that it would not be difficult under trained *adult*

direction, and with modern machinery, to get the children to make quite successfully the simple things of life that are needed in most house-holder. Since the students would act as their own distributors, the heavy charges of the *middlemen* and *carriers* would be saved to the advantage of the parents, or the student, or the colony or to all three together.

It is obvious that such a "colony" could not in its, initial stages, at any rate, be a self-supporting proposition. Hence in this case there was the Hundred citizens' Appeal, and other help necessary. But it is rightly maintained that in the event of Unemployment, modern state do have to shoulder the burdens of unemployment doles, and so it would not be anything improper to ask for state aid for schemes which will eventually eradicate this terrible scourge from the body politic.

That this system of Education, and the springing up of such "colonies" will be of help we certainly do not deny, but whether they will *in themselves* effect a complete cure of the disease we seriously doubt. We know that the causes of this evil are innumerable and deep-seated, and some at least apparently beyond the control of men at present. Greater foresight, larger co-ordination in the Economic functions of communities would be necessary before we could hope to obtain some measure of control of the evil.

But we in India who are faced with this trouble could read with much profit this little book-let which is written by a student and idealist of no mean powers.

S. K. RUDRA

## REVIEWS OF BOOKS

### ENGLISH & FOREIGN

*Studies in Public Finance.* By EDWIN: R. A. SELIGMAN. The Macmillan Company, New York. 1925. pp. ix, 302.

The contributions in the present volume consist of "articles in periodicals chapters from books jointly edited, public addresses, association reports and hearings before legislature committees. They are almost equally divided between questions of fiscal theory and problems of fiscal policy."

In a collection of this nature it would be hardly fair to expect a connected discussion of a particular theme. Here what we find is that within the body of a single chapter a single topic is selected for discussion, and the discussion is so arranged that it has neither to take anything from the chapters preceding nor to give to those that follow. To this general statement, however, the first four are an exception, and the arguments of the III chapter find their fulfilment in the subject matter of the IV.

In Chapter I we find the discussions of the Tax Burdens in the important European Countries and the United States of America during the 20th century. For this purpose the author has divided the period into three parts: (1) The Pre-war Period; (2) the War Period; and (3) Post-Bellum Period. In the pre-war period the United Kingdom had the highest tax burden per capita, i. e., 20'78; while France, the U. S. A., and Germany had 19'3, 18'18, and 9'19 respectively. At the end of the war per capita tax had increased "over five times in the United Kingdom as well as in Germany, about four times in the United States, and only about one-half in France." On the other hand by 1922 "the figures were reversed inasmuch as the tax per capita had risen only slightly in the United States and Great Britain, while it had more than doubled in France and had enormously grown in Germany." After discussing the complications caused by inflation of currency in Germany the author remarks that "the important point is not how many dollars, whether of pre-war or post-war valuation are paid but what proportion of individual or social income is taken in taxation..... It is important, therefore, in the next place, to ascertain the revenue per capita and if the per capita income is expressed in the same terms it makes no difference whether we use the war or post-war conditions."

So the next problem touched by the author is to ascertain the per capita income. The results of the study of per capita income present a different picture from that of per capita taxation. From this we find "Germany and France creeping upon the United Kingdom until 1913 but losing thereafter." The result of the attempt to compile a ratio of taxation to income per capita is expressed in percentages as follows:

	1913-14	1918-1919
United States	6.68	10.03
United Kingdom	11.29	23.93
France	14.11	12.44
Germany	10.51	17.42

From this it would appear that at the beginning of the war, the average individual tax burden, measured in the ratio of taxes paid to income received was greatest in France and smallest in the United States, and that at the close of the war, the tax burden was heaviest in the United Kingdom, considerably less in Germany, much higher in France, and lowest in the United States.

The conclusions of the study of Chapter I are utilized by the author in the II Chapter where he discusses the problem of the Allied Debts. After examining in detail the questions '*whether the allied debt is a just debt,*' '*can Europe pay,*' and '*will it benefit us to be paid*' the author comes to the conclusion that "We emerged from the stupendous struggle with clean hands, indeed, but with full hands. We are the one nation in the world which has profited by the war. Is it not almost adding insult to injury to ask those who suffered most and who bore the brunt of a common enterprise to suffer still more in order to enrich us further?"

The next five chapters deal with such interesting but academic problems as *the result of income-taxes on the price level, or stock dividends income, the history of the Sales Tax, and the Arguments for and against the Sales Tax, and the problem of Tax-exempt Securities.* However in the VIII chapter we come to an interesting discussion whether Death Taxes should be State or National. As the Taxation Enquiry Committee in India have also recommended Death Duties, our Legislatures will find much in these pages of interest to themselves.

Chapters IX and X which deal with the Taxation of Non-residents and Fiscal Reconstruction respectively are more or less of academic interest to us in India. But the XI Chapter where the Reform of Municipal Taxation is discussed is full of interest to us, as the whole domain of our local self-

government finance needs careful study and thinking over, to give it a scientific form, and to make it so yield as to give our local bodies enough funds to finance the innumerable projects of social amelioration which are at present being held up for want of funds. The whole subject of Municipal Finance is so thoroughly discussed that I earnestly request all those interested in the affairs of local bodies to give this chapter a careful study.

It is unusual for a reviewer to stop at the point we have reached, without expressing any opinion on the general merits of the book under review. But considering the position of our author in the *World of Economics*, I consider it safe to content myself by indicating the contents of the book and the utility of some of them to us in India; our motto being 'In the presence of your masters listen.'

B. G. BHATNAGAR

*First Essay on Population*: By MALTHUS, (1798). With Notes by James Bonar. Reprinted for the Royal Economic Society and Published by Macmillan and Co., Ltd., London, 1926, pp. v, ix, 396, xxvii.

All students of economic thought should be grateful to the Royal Economic Society for bringing out this reprint of the 1st Essay of Malthus in practically the same form as it was first given to the public. As Malthus himself tells us in the Preface to the Essay it "owes its origin to a conversation with a friend, on the subject of Mr. Godwin's Essay on Avarice and Profusion in his Enquirer. The discussion started the general question of the future improvement of society; and the author at first set down with an intention of merely stating his thoughts to his friend, upon paper in a clearer manner than he thought he could do in conversation."

In the first chapter after stating the question, whether man can ever reach perfection, and human society made free of its present squalor and misery for the masses, and profusion and luxury for the classes, he enunciates the first principle of population, and gives us an outline of the principal argument of the essay thus, viz., (1) "That food is necessary to the existence of man, (2) that the passion between the sexes is necessary and will remain nearly in its present form. Assuming this, my postulate as granted, I say that the power of population is indefinitely greater than the power in the earth to produce subsistence for man. Population, when unchecked increases in a geometrical ratio. Subsistence increases only in an arithmetical ratio. A slight acquaintance with the numbers will show the immensity of the first power in comparison to the second. This na-

tural inequality of the two powers of population, and of production in the earth, and that great law of nature which must naturally keep their effects equal, form the great difficulty that to me appears insurmountable in the way to the perfectibility of society. . . . I see no way by which man can escape from the weight of this law which pervades all animated nature. No fancied equality, no agrarian regulations in their utmost extent, could remove the pressure of it even for a single century. And it appears therefore decisive against the possible existence of a society, all the members of which, should live in ease, happiness, and comparative leisure; and feel no anxiety about providing the means of subsistence for themselves and families."

"Consequently, if the premises are just, the argument is conclusive against the perfectibility of the mass of mankind."

In Chapter II while further elucidating the argument Malthus gives the statement "that population does invariably increase, where there are the means of subsistence. the history of every people that have ever existed will abundantly prove."

"And, that the superior power of population cannot be checked, without producing misery or vice, the ample portion of these too bitter ingredients in the cup of human life, and the continuance of the physical causes that seem to have produced them, bear too convincing a testimony."

In the succeeding seventeen chapters there is hardly anything which adds to the main argument of the author, and what we find is an amplification of the same idea now from one point of view, now from another and that always in relation to the arguments of Godwin and Condorcet whose hopes of the perfectibility he has set himself to criticize, in his own inimitable way. To begin with in Chapter IV he examines the then condition of population in the various countries, and finds that in most of them population is kept to the limit set by the means of subsistence either by the positive checks of war, pestilence and so forth, or by the preventive checks of celibacy and deferred marriages but this mostly in the case of middle-classes. From the rapid investigation of actual facts he deduces the general principle that *given freedom from the anxiety of securing necessaries of life, man is sure to propagate until the limit of subsistence is reached.* It is on this assumption more than any other that his stern opposition to the Parish-laws was based, and which made him sceptic about the realization of equality in this world. That the reasoning throughout the discussion lays over-emphasis on the pro-creative propensity of man is clear to us of the modern age who know of the various devices that are used even by



married couples to keep down the number of children within the proper limits.

As one reads through the pages of the *Essay* the idea is forced upon one that somehow Malthus believed in the presence of some natural law that had always compelled man to multiply up to, if not beyond the means of subsistence, and that would continue to do so in ages to come. We do not deny that there is such a tendency in Human Nature, and yet we cannot agree to its inexorable character as understood by Malthus and that because we know of individual and social efforts to regulate population in a certain desired way, which the increase of knowledge since the days of Malthus has made possible for mankind to attain. To us where Malthus fails is where he does not give full weight to the capacity of self-determination in man. Man as pictured by him is more like 'dumb driven cattle' than a sentient being with the power of choosing a certain line of conduct for himself. Otherwise we all agree with his main propositions.

And yet it is in this little departure from him that all our hopes of the future progress of mankind towards general happiness are centered. If it is granted that an average man in England, America or France is much more alive to his responsibilities towards his family than were his forefathers of ten centuries ago; that the wider diffusion of general knowledge has diffused his realization amongst a wider circle of people; that the average standard of living is much higher than it was before and is steadily on the rise in most parts of the world; and that the present generation of man and woman is very tenacious in maintaining its standard of living if not equally anxious to raise it, then it is not difficult to see that what Malthus considered as an inexorable law of Nature which must always keep the mass of the people steeped in misery and vice, becomes but an inherent tendency to be watched over with care, and kept in its proper place by (1) the modern improvements in the arts of production, and (2) the modern improvements in the nature of preventive checks.

B. G. BHATNAGAR

*Elements of Economics Books I and II* by F. H. ROBINSON, B. Sc., Econ. (Hons.) London, F. R. G. S., Senior Geography and Economics Master at the Royal Grammar School, High Wycomb. Published by A. Wheaton and Company, Ltd. Exeter, pp. 168 and 120. Price 21 each part.

Book I deals with Consumption, Production and Distribution, and Book II contains chapters on Money, Banking, International Trade, Bills of Ex-

change and Credit. Both the parts have been written in a very simple language and the ideas have been expressed in such a clear style that even a layman can understand them easily. Each chapter is followed by exercises which will undoubtedly be very useful to the students.

But there are some minor defects also. Value—the central problem of Economics—has not been adequately dealt with. Capital has been defined in such a way as to include land which is a separate factor of production. In explaining the Quantity Theory of money, the exact relation between quantity of money in circulation, prices and transactions, has not been clearly brought out.

In spite of these minor defects, it is an excellent book on Elementary Economics and we have very great pleasure in strongly recommending it to all those who want to begin their study of Economics. It will serve as a good text-book for Intermediate students.

DAYA SHANKAR DUBEY

*A Short View of Russia.* By JOHN MEYNARD KEYNES. London: The Hogarth Press, pp. 28. price 2 s.

This Essay, for so it is, as one of the "Hogarth Essays" is the result of a brief visit to Russia, in September, 1925. When Professor Keynes had the honour to represent the University of Cambridge at the bicentenary celebrations of the Academy of Sciences, once the Imperial Academy of Petersburg.

Professor Keynes is frank enough to state many disqualifications he thinks should be attached to a work like the present, but we know that coming as it does from a person of his keen insight and intimate knowledge of the affairs of many a state, this Essay has in a sense unique value. With his trained judgment in the understanding of men, he has it seems to us gone into the vital matters of the Russia experiment, and as in his want, had stated the issues so clearly and impartially, that we are left free to form our own verdict either way. We feel that those who are interested in Russia could seek no better presentation, except probably for the brief size of Essay itself.

In treating of the events in Russia Professor Keynes has employed the term *religions* to the forces that have operated so powerfully and ruthlessly in that country. He has gone into some pains to explain the reasons for the use of the term. We feel that people in this country will readily understand him and will indeed appreciate the employment of this term in dealing

with the Russian Revolution.

He has divided his presentation into three chapters, the titles and the subject-matters of which are at once significant and deeply interesting. These are: "What is the communist Faith?" "The Economics of Soviet Russia," and lastly "Communism's Power to survive."

He states that "Leninism is a combination of two things which Europeans have kept for some centuries in different compartments of the soul—religion and business." Then he proceeds to show the strength and the weakness which it exhibited in the same fashion as most new faiths do. We may not all agree with him, but this is what he says: "Like other new religions, it seems to take the colour and gaiety and freedom out of every day life and to offer a drab substitute in the square wooden faces of its devotees. . . . . But to say that Leninism is the faith of a prosecuting and propogating minority of fanatics led by hypocrites is, after all, to say no more nor less than it is a religion, and not merely a party. . . . ."

He applies three questions to the whole problem, and in the answers to which he thinks will be discovered the worthwhileness or otherwise of Leninism:—Russia. The questions he sets are: "Is the new religion partly true, or sympathetic to the souls of modern man? Is it on the material side so inefficient as to render it incapable to survive? Will it, in the course of time, with sufficient dilution and added impurity, catch the multitude?"

The answer to these come in such words as these, and would we feel strike many over here as sound and true, and really to the point.

For me, brought up in a free air undaunted by the horrors of religion, with nothing to be afraid of, Red Russia holds too much which is detestable. Comforts and habits let us be ready to forgo, but I am not ready for a creed, which does not care how much it destroys the liberty and security of daily life, which uses deliberately the weapons of persecution, destruction, and international strife. . . . . how can I accept a doctrine which sets up as its bible, above and beyond criticism, and absolute Economics text-book which I know to be not only scientifically erroneous but without interest or application for the modern world? How can I adopt a creed which, preferring the mud to the fish, exalts the boorish proletariat above the Bourgeois and the intelligentsia who, with whatever faults, are the quality in life and surely carry the seeds of all human advancement? . . . . . It is hard for an educated, decent, intelligent son of Western Europe to find his ideals here, unless he has first suffered some strange and horrid process of conversion which has changed his values."

As to the other aspects he says: "Leninism is absolutely, defiantly non-supernatural, and its emotional and ethical-essence centres about the individual's and the community's with attitude towards the Love of Money." But with this very great difference, which makes, we think, the entire change, namely in communism they endeavour to make the money-making motive in man subservient to the service of the community. We acknowledge that in the New Economic Policy ushered in even before Leninism powers began to decline, the monetary motive was given freer play and prevails now over a large part of the economic life of the country, yet the change in the *emphasis* is so unqualified, that it does really mean a change not in *degree* but in *kind* of community that the Leninites desire to establish upon earth. Indeed Professor Keynes himself acknowledges it when he says: "But money-making and money-accumulating cannot enter into the life—calculations of a rational man who accepts the Soviet rule in the way in which they enter into our. A society, of which this is even partially true, is a tremendous innovation."

As to the Economics of Soviet Russia, the whole thing he thinks turns on the answer to the question.—Is the economic technique so insufficient that it courts disaster?

Professor Keynes holds that the Soviet leaders have been deliberately and knowingly experimenting in this direction with, upon the whole, disappointing results. Thus, for instance, they thought that the Money-institution was a device of the capitalistic extortionists to manipulate affairs and to keep in state of perpetual bondage and dependence the masses of men. But they soon discovered that under conditions of modern production and expansion, the money device was essential, and hence have resorted to it again. And so forth with other matters.

There are certain other factors which he mentions which are of much importance. For instance he holds that the urban and the industrial population is not self-supporting, and that their standard of life is higher than their output justifies. The balance has been made good by the exploitation of the peasantry. But such a situation has within it the germs which will cause serious disorder in the body politic.

The method of exploitation is not obvious, but is nevertheless very effective. The officials has not resorted to taxation so much, which at all times is highly obnoxious,—though it is found that the land tax forms a very substantial part of the budget—but they restored to indirect ways, namely by manipulating their price policy. The Government have a monopoly in the export and the import trade, and they have practical control of the industrial

output, and so they contrive to maintain the relative prices at levels highly disadvantageous to the peasant. They buy from the peasants, wheat and other agricultural product at below world prices, and sell them manufactured articles, like textiles, at above world prices and thus place themselves in funds to enable them to conduct affairs.

The Government do not only put themselves in funds, but by a monopoly in the import and export trade they create a divorce between the internal and external price-levels and maintain the foreign exchanges at parity, while in reality the purchasing power of the rouble in Russia keeps steadily declining.

Professor Keynes rightly explains that this can only result in bringing about serious trouble in the future. Such a policy must inevitably depress agricultural output, which after all is the real wealth of the country. No Government can hope successfully to face such a situation.

Moreover the life of the proletarian worker in terms of real wages and other ways being happier, causes a constant incentive for people to migrate townwards. But for housing difficulties and lack of employment, due to impaired equipment, lack of capital, and shortage of organising and technical power, the impetus to the flow of the people into the cities would have been over-whelming. As it is, Professor Keynes estimates that the propositions of employment amongst the industrial workers have reached heavy figures, being as much as 20 to 25 per cent. A large number of such unemployed receive unemployment doles from their trade, at about a third of their normal wages, which is not bad compared with what the poorer peasants are obtaining for their labour.

Of course the Government are aware of these defects, and seem to be continually adjusting their policy between the purest Marxist doctrines on the one hand, and bourgeois economics on the other hand. The Professor does not think that the Soviet state is so inefficient as not to be able to overcome these difficulties. He says they have survived through greater trials and may be able to work out to success under these. He says: "conditions are manifestly on the up grade."

He then proceeds to apply himself to his last question, namely,—Can communism in the course of time, with sufficient dilution and added impurity, catch the multitude? His answer is: "I cannot answer what only time will show. But I feel confident of one conclusion—that if communism achieves a certain success, it will achieve it not as an improved economic technique, but as a religion."

He is quite definite that on the economic side Russian communism can make no contribution to modern economic problems which can prove either of intellectual interest or of scientific value.

As to its religious worth he is more diffident. He thinks that the Russian Experiment may give a new direction to human values. In conclusion we cannot do better than to quote him once more in one of his characteristic passages :

"At any rate for me it seems clearer every day that the moral problem of our age is concerned with the love of money, with the habitual appeal to the money-motive in nine-tenths of the activities of life, with the universal striving after individual economic security as the prime object of endeavour, with the social approbation of money as the measure of constructive success and with the social appeal to the hoarding instinct as the foundation of the necessary provision for the family and for the future. . . . . A revolution in our ways of thinking and feeling about money may become the growing purpose of contemporary embodiments of the ideal. Perhaps, therefore, Russian communism does represent the first confused striving of a great religion."

S. K. RUDRA

AN ECONOMIC and SOCIAL SURVEY of 150 farms, YENSHAN COUNTY, CHIHLI PROVINCE, CHINA; By J. L. BUCK ESQR. Department of Agricultural Economic and Farm Management. Published by the College of Agriculture and Forestry, University of Nanking, China; pp. 110; Price 30 cents gold.

The object of this study, as stated by the author, 'is to determine the factors which make farming successful or unsuccessful in a normal year in a region often subjected to famine conditions.' These factors have been ascertained after a detailed study of a year's business on 150 farms in 3 villages of Yenshan County of Chihli Province in China. The inquiry, which has been made in a scientific spirit, was conducted by the author with the help of one of his advanced students. In this inquiry, all the farmers were found to be owners of their land; and the size of the farm as well as the labour earnings † per farm after very careful investigations were found to be as follows:—

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† Labour earnings have been defined by the author as 'the returns the farm operator receives for his year's labour and management, after deducting farm expenses and the interest on his capital investment.'

Area of the Farm	Number of Farms	Average Labour earnings per farm in 1922-23
0 to 2 acres	33	12.5 gold dollars
2 to 4 „	48	20.5 „ „
4 to 6 „	34	20.9 „ „
over 6 „	35	31.6 „ „
Total	150	
Average.	..	21.4 gold dollars.

From the above table it is quite clear that the labour earnings increased with the increase in the size of the farm which may be due to more efficient use of labour and capital on larger farms. After a very careful study of various efficiency factors the author is led to the conclusion 'that a farm having a crop area of 40 mows (i.e. 8 acres) would be about the right size for the average family of two adult male workers and one labour animal unit (such for instance as ox or mule); and farms of very much larger size than 40 or 50 mows (8 or 10 acres) in crop area are not likely to be increasingly profitable because they pass beyond the family sized farm, which usually is the most efficient for farm operations.'

From the above table it is also apparent that the average labour earning on all farms is extremely small. It is 21.4 gold dollars or Rupees 58 annas 14 only at the rate of 1sh. 6d. per rupee. Most of the farmers owned their land and capital and so their family earnings included returns on these investments also. Some received income from other sources and so the average family earnings from all sources during the year 1922-23 were as follows:—

Labour earnings	..	..	21.4 gold dollars
Return on Investments in Agriculture	..	33.0	„ „
Value of Family Labour	..	10.5	„ „
Income from other sources	..	8.3	„ „
Average family earnings from all sources:—		73.2	„ „
		or	
		201	Rupees

Average family earning per head per

annum from all sources about .. 40 Rupees

This small average income of Rs. 40 per head per annum from all sources in normal year 'reduces most of the farmers and their families to a mere subsistence basis. In fact, the people feed themselves in winter, just as one 'roughs' labour animals through the winter by feeding as little and as poor food as possible. In seasons of little or no work only two scant meals a day are eaten and of food of inferior quality.' The condition of these people in famine years may be better imagined than described.

Although the cultivators in China are extremely poor and most of them (about 80 per cent.) are uneducated, there is a good deal of co-operation between them in various ways. 'In times of distress farmer go to help a neighbour without request. Labour animals and farm implements may be borrowed free of charge. In some case the richer farmers are specially willing to help the poor farmers by lending animals and implement to them; otherwise they fear that the poor farmers might burn their houses or destroy their crops. Labour is exchanged in planting season and in transporting crops from the field to the farmstead.' Money is generally borrowed from '*yas hwli*' a kind of mutual loan association. 'A farmer in need of money invites his neighbours and friends to his house and asks them to join this organisation for the purpose of loaning him some money. Good food and wine are prepared by the farmer so that it become a social as well as a business meeting or gathering. Friends and neighbours when asked to participate cannot very well refuse. If there are ten people who join, there will be ten meetings of the group. Each member loans the same amount each time and each has his turn to receive the total amount originally borrowed by the initiator of the loan society'.

An attempt has been made by the author to find the relationship between character, size of farm and profit. Those farmers who gambled and drank liquor in excess were considered to have bad character. One fourth of all farms were in this class. The good farmers inherited farms averaging 4.9 acres each while those farmers classed as bad inherited farms averaging 7.1 acres each 'Perhaps wealth has something to do with the formation of bad character in that idle time gives opportunity for gambling and possession of money makes possible the excess use of liquor.' Farmers classified as having good character made much higher labour earnings. In this country, according to the author, good character appears to be a greater business asset than bad character plus a large sized farm. One fifth of all the operators had some education and they made nearly twice the labour earnings of those without education. It was also found that larger percentage of men with education had bad character compared with those with no education.



The book contains very interesting and useful information about the condition of people in Yenshan County of China. It also contains many charts and diagrams. The blank form given at the end of the book, after slight modifications, can very conveniently be used for making similar inquiries in India. We strongly recommend this book to all Students of Rural Economics and Statistics.

DAYA SHANKAR DUBEY

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## ABOUT REVIEWS

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| 6.  | Economic Consequences of Business Cycles .. | May | "         |
| 7.  | Labour and Housing in Bombay                | ..  | October " |
| 8.  | Elementary Banking for Indian Students      | ..  | May 1926  |
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| 10. | Basis of Indian Economy ..                  | ..  | May "     |
| 11. | Studies in European Co-operation            | ..  | June "    |

The above is a list of books that have been lying with some of our reviewers from the date noted against the books. It will be clear that they were forwarded to the reviewers, some, we regret to say more than two years, and others more than one year ago. In spite of repeated reminders we have not been favoured with the reviews. We would request the gentlemen with whom the books are lying to send us their reviews within a month at the latest. We are writing to them separately also

Our reviewers would realize that neither the publishers of books nor can we afford to wait for such a long time for reviews. Books are sent out on the understanding that the reviews will be forwarded to us within a reasonable time, say within two months. This is sufficient period for reviewing a book or two. The *Journal* is out quarterly and if we get the reviews about a month before it appears, we shall be able to print them in time or each issue.

This time all the reviews that appear in the *Journal* have been sent in by members of our Department. We could not help it. No outsider favoured us with a review on the book that had been sent to him; and we had to urge our own members to give us their reviews, and they very kindly responded to our demands.

It is hardly necessary for us to say that we would very much like to send out books for purposes of review to the members of the Economic Association and teachers of other Universities.

We propose in future to print in each issue a list of the books received by us for purposes of reviews. We would request those who are experts, or are specialising in the subject-matter of the books to select the books and communicate their wish to review them; and we shall try our best to comply with their requests. This plan will serve better than the policy of first writing to would-be-reviewers, asking them whether they would care to review a particular book or not. We have tried this policy, but it has failed. The plan we propose, we sincerely hope will work, and will save time, worry, and money.

REVIEW EDITOR

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## THE HINDU TAXATION SYSTEM

BY

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*(Continued from the last issue)*

In the previous section it has been proved on the basis of internal evidences of the laws of Sukra and Manu that the land-tax was calculated on net and not on gross produce. We are not able to trace the subsequent history of the land-tax in India during the Hindu period. This much is sure that the benevolent system was discarded by Muslem monarchs, so that by the time of Sher Shah and Akbar, the peasant had to pay one-third of his total crop to the state. Whatever more was seized and squeezed by the rapacious officers, is over and above this legitimate share. The long and ruinous wars of Aurangzeb enhanced the burden of taxation on the peasantry. The fratricidal wars and anarchy prevailing during the half century following the demise of Aurangzeb still more impoverished the cultivators. The exorbitant rates, current during the wars of Aurangzeb and the misrule of his successors, were accepted as the basis of a new land-tax by the East India Company. Thus the old benevolent laws of Prajapati-Sukra and even the comparatively oppressive system of Manu could never be revived by the British Government in India, though real efforts have been made to undo the evil inflicted upon the peasantry by the earlier codes

### MONEY-RENTS V KIND-RENTS

Sukra has emphatically disallowed the rates and measures proposed by Manu, because in his opinion they are excessive and oppressive and hence can be legal only in times of a great national danger. The share to be taken by the state in *normal* times, should be calculated

on the basis of the measures known after the name of Prajapati. If that share has to be increased, it can be then calculated on the Manu's measures. These two methods of measuring lands vary widely from each other. Sukra has entered into great details, but the following figures will clarify the complexity.

According to Manu,<sup>1</sup>

The linear crosa = 4000 cubits  $\times$  120 Yavas (as 1 cubit = 120 Yavas.)

$\therefore$  The area of a crosa = 4000 cubits  $\times$  4000 cubits  $\times$  120 Yavas  $\times$  120 Yavas = 480,000  $\times$  480,000 square Yavas.

According to Prajapati,

The linear crosa = 5000 cubits  $\times$  192 Yavas.

$\therefore$  The area of a crosa = 5000 cubits  $\times$  5000 cubits  $\times$  192 Yavas  $\times$  192 Yavas = 960,000  $\times$  960,000 square Yavas.

Hence the two crosas are in the ratio of

$$480,000 \times 480,000 : 960,000 \times 960,000$$

$$1 : 4$$

The assessment of revenue in ordinary times is to be based on Prajapati's measures and not on those of Manu. The words of Sukra are :

"The ruler should *always* realise his share of produce from land according to Prajapati's system; but in times of dangers and difficulty *only and not otherwise*, according to Manu's system."<sup>2</sup>

Just as at present in India the public records adopt the English statute acre as the land-measure and at the same time allow the local measures of Bighas and Bisvas to be used for the same purpose, so in the days of Sukra, Cubits, Dandas, Parivartanas and Crosas were used for measuring lands. Just as now in some provinces the bigha is equal to  $\frac{5}{8}$  of an acre, while in Bengal it is only  $\frac{1}{3}$  of an acre, in Sukra's time too the measures differed.

If revenue be collected on the basis of Bengal bigha, it will amount to about double the sum which will be realized on the other basis

1. Sukra, p. 25.

2. Sukra, p. 27.

Similarly Sukra has laid down that the demand of the state should be fixed on the basis of the Prajapati's measure in ordinary circumstances and may be increased until it equals the sum to be realized by the adoption of the measures of Manu. But this step is to be taken only in times of emergency. The demand of the state can be stretched to the Manu's standard in abnormal times, otherwise in all normal times it is to be apportioned on the measures of Prajapati alone.

It means that the assessment of land revenue should be one-fourth of that prescribed by Manu. In other words, there were two schools—one of Manu and the other of Prajapati-Sukra. The latter system must have developed as a protest against the excessive levy of land tax permitted by the laws of Manu. In what states on the continent of India and at what time the Prajapati system was developed, when and where the rates laid down by this school were charged, whether in normal times the Sukraic system was actually followed or not, are questions whose answers cannot yet be offered. We shall have to await the discovery of ancient manuscripts to throw light upon these problems.

It will be seen that there arises no necessity of instituting surveys of holdings and estates, if the government is to take a fixed share of the gross produce. The government agent is, for instance, to take one-sixth portion of the actual crop and is not concerned with the extent or quality of the land. The following remarks of Baden Powell on this system are very appropriate :

“There was a primeval simplicity about this plan, that offered many advantages, in an early stage of society. Being a share of the gross produce, there was no question of any complicated calculations of the cultivator's profit, or the costs of production, nor about the relative value of land, or the productiveness of the season. Whatever the land produced, little or much was heaped on the threshing floor, and the king's officer superintended its division in kind. In a famine year there might be nothing to divide and so revenue relief followed automatically.”<sup>1</sup>

No such primitive simplicity is to be seen in the systems described by Manu, Chanakya and Sukra. They do not mention any system

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1. Land Revenue in Bengal, India, p. 35.

of Batai or the sharing of the crop by the government at the threshing floor, but stand for money equivalents of the share meant for the state.

The principal reasons for my view that the state took the land revenue in money and not in kind can be summed up as under :

(1) The revenue of an ordinary village is stated to be 1,000 silver Karsas by Sukra. A Karsa was a silver coin weighing 16 Mashas.<sup>1</sup>

(2) Sukra has explicitly stated that revenue assessment should be made on the Prajapati measurements. This method of survey can only exist when revenue is collected in cash.

(3) 'Having determined the land revenue of a village, the king should receive the money from one rich man or take guarantee for the payment of that by monthly or periodical instalments.'<sup>2</sup> The words 'Dhana'—'money, richman, monthly instalments of money'—all clearly point out that money equivalents of the kind-share were to be given to the state.

(4) Sukra has advised that the state should carefully measure lands, grade lands according to their productivity, ascertain their produce and then alone should fix its share.<sup>3</sup> In the division of produce such a complicated procedure is not at all required.

(5) Numerous reasons have been advanced to show that the share of the state was calculated on the net profits of the agricultural operations. This system is entirely opposed to the division of produce. It forms a fundamental rock of money-economy.

(6) Chanakya has laid down that either on the occasion of opening new settlements or on any other emergent occasions, remission of taxes shall be made. "The crown should regard with fatherly kindness those who have passed the period of remission of taxes." As justly pointed out by Baden Powel remission of taxes is an institution of money economy and not of the division of produce.

### CANONS OF LAND-TAXATION

At this stage, we can proceed to summarize the main principles of the land revenue system of a Hindu state following the spirit of the laws of Sukra. Even a cursory glance will show us that long

1. Sukraniti, Eng-Trans. 385-6 of p. 25.

2. Ibid p. 149.

3. Ibid p. 52.

ages must have been required for the evolution of such a system. Some of the canons are :—

- (1) All lands should be surveyed.
- (2) Lands should be arranged in order of their productivity and according to the nature of crops sown upon them.
- (3) The percentage share of government demand on each holding should then be apportioned.<sup>1</sup>
- (4) The assessment should be so light that the cultivator can prosper and be not ruined.<sup>2</sup>
- (5) No tax should be levied on lands newly taken under cultivation. The taxes on such new lands and permanent improvements should be levied only when the cultivators have obtained twice the sum spent on those undertakings.
- (6) One-fifth of the revenue obtained should be remitted in times of necessity or one-fifth should be spent for the good of agricultural classes.<sup>4</sup>
- (7) The revenue of each village should be obtained through a rich man in advance, or the guarantee of a rich man should be taken for the payment of the revenue. In this case it may be taken by monthly or other periodical instalments.<sup>6</sup> Here we have the existence of the Zimindari, Mahalwari and farming systems.
- (8) If revenue is not collected through a rich man, it may be collected directly by the king's officers who should be very carefully appointed. They should be paid from one-sixteenth to one-sixth of the income from each village according to the yield of revenue and the work done by the 'gramapas,' now called Patils.<sup>6</sup>

This rule has led to the establishment of the Ryotwari system of land tenure.

- (9) The king is to give to each cultivator the receipt of the tax paid to the government with the state seal on the document.<sup>7</sup>
- (10) The king is not to take by force presents and perquisites in the shape of milk, butter, etc., for his household, nor any grains and cloths for his own consumption from cultivators and dealers.<sup>8</sup>

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1. IV. 2, 112. 2. pp. 222-3=IV. 2, 113. 3. pp. 242-44 IV. 2, 122.  
 4. IV. 2, 117. 5. IV. 2, 124-25. 6. Sukra, IV. 2, 126; Kam., V, 53  
 7. Sukra, IV. 2, 124. दद्यात् प्रकर्षकाय भागपत्तं स्वचिन्हितम् ।  
 8. Sukra, IV. 2, 127.



(11) All kinds of taxes and royal dues are to be promptly collected. Arrears over long periods should not be allowed to remain.<sup>1</sup>

(12) The crowning feature of the Hindu tax system was the fundamental regard for the welfare of the people. The final advice of Sukra is summed up in the words : " The king should enjoy *fruits* everywhere, but at the same time he should act like a slave in protecting his subjects."<sup>2</sup>

A few sayings from the writers on polity will throw a flood of light on several important canons of taxation.

### TAXES ARE WAGES OF PROTECTION

The Hindu theory of taxation is the simplest and the most plausible to explain the origin and continuance of imposts levied by the state. Taxes are the price paid for enjoying peace and order, safety and security, keeping off the evils of disorder and anarchy within and for warding off the external dangers to the body politic. These are the wages of the crown for preserving order within and without. Taxes are justifiable if the police functions are well-performed, but they are unjust and unjustifiable if the crown does not well perform these duties.

The following lines of Chanakya<sup>1</sup> will repay reading :

" People, suffering from anarchy as illustrated by the proverbial tendency of a large fish swallowing a small one, first elected Manu, the Vaivasvata, to be their king ; and allotted one-sixth of the grains grown and one-tenth of merchandise as sovereign dues. Fed by this payment, *kings took upon themselves the responsibility* of maintaining the safety and security of their subjects, and of *being answerable for the sins of their subjects* when the principle of levying just fines and taxes has been violated. Hence hermits, too, provide the king one-sixth of the grains gleaned by them, thinking that 'it is a tax payable to him who protects us.'<sup>3</sup>

The same ideas have been briefly and beautifully expressed by Sukra thus :

1. Sukra, IV. 2, 123.

2. IV. 2, 130. सर्वतः फलमुग् भूत्वा दासवत् स्यात् रक्षणे ॥

3. Arth. P. 26.

'The ruler has been made by Brahma *a servant of the people* getting his revenue as remuneration. His sovereignty, however, is only for protection.<sup>1</sup>

Texts can be multiplied *ad infinitum* to support this idea, but the following references will suffice. Manu VIII. 303—311. Manu IX. 252—256. Ap. II. 25, 15. Vish. V. 196. Vas. I. 42—44. Yaju. I. 335—336.

*The canon of certainty* is the rock upon which the majestic fabric of Hindu taxation has been built. Every tax-payer knew precisely what he had to pay to the state. No ruler could enhance the assessment by any new settlements beyond the rates fixed by law and custom. Then in the system of sharing the crops the canon of certainty is always satisfied. This practice was, to some extent, continued by Akbar. The Kotwal was not to take the land-tax only in cash, but also in kind according to the convenience of the cultivators. The royal instructions to the collector are :

He should always seek to satisfy the owner of the crops. He should not entrust the appraisement to the headman of the village lest it give rise to remissness and incompetence and undue authority be conferred on high-handed oppressors, but he should deal with each husbandman, present his demand, and separately and civilly receive his dues.<sup>2</sup>

*The second canon of convenience* has been emphasized in all law-books. The land-tax was to be collected by instalments according to the convenience of the cultivator. The views of Kamandaka deserve notice :

The royal officers, the thieves, the enemies of the land, the king's favourites, and the covetousness of the monarch himself—these are the five sources of apprehension to the subjects.

Removing these five-fold source of fear, a monarch, with a view to increase his Trivarga should in proper season ingather tributes (in the shape of money and crops) from his subjects.<sup>3</sup>

The same rule was also adopted by Akbar. The Collector of Revenue should collect the revenue in an amicable manner and extend not the hand of demand out of season. He should begin

1. I. 188, Cf. Ag. p. 223, 14.

2. Ain. II. p. 45.

3. Datta's Trans. p. 61. 82-3.

the collection of the spring harvest from the Holi and of the Autumn harvest from the Dasharah. He should stipulate that the husbandman bring his rents himself at definite periods so that the malpractices of low intermediaries may be avoided.<sup>1</sup>

### ABNORMAL TAXES

Abnormal taxes are allowed to be levied in times of national crises, national defence, or national aggrandisement, as is evident from the following rules and statements :—

In normal times the king should not increase his treasure by augmenting the fines, land revenue and duties, by taking dues from holy places and confiscating property consecrated to divine purposes.

When the king is preparing to raise and maintain an army to destroy the enemy, he should receive from the people special grants of fines, duties, etc.<sup>2</sup>

The best king is he who, by following the practice of a florist, protects his subjects, makes the national enemies tributaries and augments his treasury by their wealth. The mediocre king is he who does this by following the practice of the Vaishya. The worst ruler does it by service and receipts from fines, holy places and lands consecrated to gods.<sup>3</sup>

The gardener collects flowers and fruits after having duly nourished the trees with care. *The collector of taxes is to be like a florist.*<sup>4</sup>

### LIGHT TAXATION

The king has been very appropriately advised to behave like a gardener and not like a charcoal seller. Just as a gardener picks flowers and fruits at times when they are ripe, so the state should collect taxes by instalments and at times when it is convenient for the tax-payer to pay the same. The state should never behave like a coal merchant who cuts down the trees, burns them and thus cannot again obtain anything from them. Such a conduct is reprehensible in a king. It is an emphatic anticipation of the third canon of taxation stated by Adam Smith that "every tax ought to be levied

1. Ain. II. p. 46.

2. Sukra Niti, English Translation, p. 138. 17-20.

3. Sukra Niti, English Translation, p. 139. 35-38.

4. Sukra Niti, English Translation, p. 81. 345-46.

at the time and in the manner in which it is most likely to be convenient for the contributor to pay it."

The king should receive rent from the peasant in such a way that he be not destroyed. It is to be realised in the fashion of the weaver of the garland not of the coal merchant.<sup>1</sup>

The principles that taxes should be light, that these too be collected by easy instalments without causing the least trouble to the people, have been enunciated in various ways. The taxing of subjects should be like the milking of cows:

An intelligent king should milk his kingdom like calves. If the calf be permitted to suck, it grows strong, and carries heavy loads.

If, on the other hand, the cow is milked too much, the calf becomes lean and incapable of making itself very useful to its owner. Similarly, if the kingdom be drained inordinately, the subjects become helpless and incapable of achieving any great act.<sup>2</sup>

The same act has been beautifully compared to the collection of honey, the sucking of blood by a leech, the carrying of cubs by a tigress, and the eating of animal flesh by mice in passages like those:

A king should milk his kingdom like a bee collecting honey from plants. He should act like the cow-herd who takes milk from her without boring her udders and without starving the calf.

The king should act like the leech taking blood mildly. He should treat his subjects like a tigress carrying her cubs, touching them with her teeth, but never cutting them therewith.

He would behave like a mouse which although it has got sharp and pointed teeth, yet cuts the feet of sleeping animals in such a way that they do not at all become conscious of it.<sup>3</sup>

The principle of gradual increase in the rates of taxes has been felicitously taught in such words:—

Little by little should money be drained from a prosperous subject. The demand should then be gradually increased till it reaches a fair amount. The king should increase the burden of his subjects

1. Sukra Niti, English Translation, p. 147, 222-23.

2. Shanti Parva. 87. 20-21. Cf. Chapt. 120. 33-35.

3. Shanti Parva. 88. 4-6.

by and by like a person gradually increasing the load of a young bullock. Treating them with care and mildness, he should at last put the reins on them.<sup>1</sup>

This passage seems to give a faint idea of the levy of progressive taxes on income, but we have not yet found any distinct evidence for the same either in theory or practice.

*Conciliation of the Industrial and Commercial classes.* What means ought to be adopted to obtain the consent of the earning classes to the taxes levied upon them and to conciliate them to the demands of the government, are summed up in these verses :—

Pointing out to them the necessity of repairing his forts and of meeting the expenses of his establishment and other heads, striking them with the fear of foreign invasion, and pointing to them the necessity that exists for protecting them and enabling them to ensure the means of living in peace, the king should impose taxes upon the Vaishyas of his kingdom. If the king does not care for the Vaishyas, they become lost to him, and leaving his dominions retire into the woods. The king should, therefore, treat them leniently. The king, O son of Pritha, should *always conciliate* and protect the Vaishyas, take measures for filling them with a sense of security and for ensuring them in the enjoyment of what they possess, and *always do what they like*. The king, O Bharata, should always so treat the Vaishyas that their power to multiply money may be enhanced. The Vaishyas increase the strength of a kingdom, improve its agriculture, and develop its trade. A wise king, therefore, should always please them. Acting with carefulness and leniency, he should impose mild taxes upon them.<sup>2</sup>

### BASES OF TAXATION

The various factors that ought to be taken into consideration in fixing the rates of taxes are stated by Bhishma :

*A tax on profits from trade and commerce* should be fixed with due regard to these factors :—

Quantities of goods sold and purchased.

Condition of the roads.

Expenses on food and dress.

1. Shanti Parva. 88. 7-8.

2. Shanti Parva. 87. 35-39.

Stocks and profits.

Nationality of traders.

*Taxes on manufactures* should be fixed after considering the following items :

•The quantity of manufactured articles.

The receipts and expenses of the manufacturers.

The state of the arts.

Nature of the occupation.

Attention is to be paid to these factors, but the general principles underlying all systems of taxation should also be kept in view :—

The king may levy high taxes, but he should never levy such taxes as would oppress his people.

No tax should be levied without determining the out-turn and the amount of labour necessary for its production. Nobody would work without sufficient profits.

The king should, after proper thought, impose taxes in such a way that he and the person who labours to produce the article taxed may both partake of the out-turn.<sup>1</sup>

### OPPRESSION DENOUNCED

Rulers have been advised to avoid oppression through unjust taxes, otherwise they have been threatened with deposition here and long suffering in hell hereafter. Sukra advises that one should take away by craft or force or by robbery, wealth of the king who is addicted to immoral ways of life—and also from other kingdoms. His kingdom is destroyed by enemies who has amassed wealth by forsaking morality and by oppressing his own people.<sup>2</sup> The ruler who extracts his share through cupidity (i.e., beyond his dues) is ruined with his subjects.<sup>3</sup> The king should not oppress the poor people seeking his own interest. For they, dying through repression, ultimately ruin the king.<sup>4</sup>

In every town that officer alone is a good collector of taxes and

1. Shanti Parva. 88. 15-16.

2. Sukra Niti Eng. Tran. p. 138. 13-16.

3. Sukra Niti Eng. Tran. p. 27. 420.

4. Sukra Niti Eng. Tran. p. 22. 319-20. Cf. Arth. I. 4. Kam. III. 7.

duties who realizes these from shop-keepers in such a way as not to destroy their capital.<sup>1</sup>

The same thing has been felicitously expressed by Bhishma in words like these :—

The avaricious king, who foolishly oppresses his subjects, by levying taxes not sanctioned by scriptures, is said to wrong his own self. As a person wanting milk never gets any by cutting off the udders of a cow, similarly a kingdom assailed by improper taxes, never gives any profit to the king. He, who treats a milch cow with kindness, always obtains milk from it. Likewise the king, who rules his kingdom by proper means, gets much fruits from it. By protecting a kingdom properly and ruling it judiciously a king may succeed in always acquiring immense wealth. The Earth, well protected by the king, yields crops and gold like a mother giving milk willingly to her child. He sums up his teachings by saying :

‘Follow the example, O king, of the flower-vendor and not of the charcoal-maker. Acting thus and satisfying the duty of protection you may be able to enjoy the Earth for ever.’<sup>2</sup>

The sin, a king incurs by neglecting for a single day to protect his subjects from fear, is such that his sufferings are not terminated in hell till after a thousand years.<sup>3</sup>

Manu has very beautifully summarized all the basic principle of leniency and moderation in tax-assessments in one couplet :—

“As the leech, the calf, and the bee take their food little by little, even so must the king draw from his realm *moderate annual taxes.*”

One cannot but admire the simplicity and incisiveness of this instruction.

The commentary of Raghavananda brings out the true spirit of Manu’s injunction in its various aspects. The scholiast writes :—

“Taxes should be collected after taking into consideration the conditions of the place, period and the wealth of the assessee. This point is taught with illustrations by Manu. *Every ruler should follow the practice of*

1. Sukra Niti, Eng. Tran, p. 24. Cf. Ag. p. Chap. 223. 14.

2. Shanti Parva. 71. 15-20.

3. Shanti Parva. 71. 28.

- (a) the leech which sucks blood little by little from the body without showing much activity, and that too, only bad blood or blood in excess ; or of
- (b) the fish which living in the sea can drink as much water as it likes but still takes in only small quantities of it for ~~for~~ of its being dried up ; or of
- (c) the calf which drinks a small quantity that the owner of the cow may be benefitted ; and of
- (d) the bee which instinctively feels that in eating the whole honey there will be no flowers and it will have to die.

Manu's teaching is that oppressive rulers should be dethroned and even decapitated, if need be :

That king who through folly rashly oppresses his kingdom, will, together with his relatives, ere long be deprived of his life and of his kingdom.

As the lives of living creatures are destroyed by tormenting their bodies, even so the lives of kings are destroyed by their oppressing their kingdom.<sup>1</sup>

A king may not be oppressive, but he may be negligent to perform his royal duties. Such an indifferent ruler has been designated as a most hateful sinner in the following verses :—

A king who does not afford protection, and yet takes his share in kind, his taxes, tolls and duties, daily presents and fines, will (after death) soon sink into hell. They declare that a king who affords no protection, and yet receives the sixth part of the produce, takes upon himself all the foulness of his whole people. A king who heeds not the rules (of the law), who is an atheist and rapacious, who does not protect his subjects, but devours them, will sink low (after death).<sup>2</sup>

The same is confirmed by Bhishma. He emphasized the cardinal maxims of taxation in the following passage :

*With a sixth part, upon fair calculation, of the yield of the soil, as his tribute, with fines and forfeitures levied upon offenders, with the imposts levied according to the scriptures upon merchants and traders in return for the protection granted to them, a king should*

1. Sukra, Eng. Page 81.

2. VII. 111-112.

3. VIII. 302-309.



fill his treasury. Realizing *this just tribute and governing the kingdom properly*, the king should, with heedfulness, act in such a way that *his subjects may not feel the pressure of want*. A king should *never desire to fill the treasury by acting unrighteously* or from covetousness. But the one who does not act in accordance with the scriptures fails to earn wealth and religious merit. That avaricious king who through folly oppresses his subjects by levying *taxes not sanctioned by the scriptures* is said to wrong his own self.<sup>1</sup>

It is evident now that according to Bhishma

- (a) only taxes sanctioned by the sacred law should be levied at the rates which are just ;
- (b) all taxes are wages for the protection of the subjects ;
- (c) the levies should be moderate and collected by instalments;
- (d) covetousness cuts its own root—neither wealth nor merit can be obtained by an oppressive king.

Elsewhere it is said that a king should take care that the traders who purchase articles at prices high and low (for sale), and who in course of their journeys have to sleep or take rest in forests and inaccessible regions, be not afflicted by the imposition of heavy taxes. He should see that the agriculturists in the kingdom do not leave it through oppression. "The king being blinded by the pride of power should not impose and exact taxes from the weak. When the officers of the king extort wealth, by unjust means or acting from lust or avarice, from persons pitiously soliciting for mercy, a great destruction is sure to overtake the king."<sup>2</sup>

### PRINCIPLES OF TAXATION

The general principles underlying the system of taxation in vogue in ancient India may now be enunciated in terms like these :

- (1) Taxes were levied and collected by uniform and general laws. They were uniform upon individuals belonging to a certain

1. Shanti Parva. 71, 10, 11, 15.

2. Shanti Parva. Ray's Translation, Page 289.

class not in one kingdom or two, but in all states governed by the Hindu law.

(2) The sovereign, the executive, or the legislature could not freely exercise the power of taxation. The kinds of taxes and their rates were fixed for them by the organic laws of the country which, unlike these days, were unalterable because they were considered to be revealed.

The executive authorities could alter the rates within the limits fixed for normal and abnormal times. This practice may be compared to the making of administrative rules and regulations to apply the various organic laws. These latter lay down several propositions and delegate authority to the executive to make specific rules to meet the specific situations.

Just as in these days the constitutions of many American states provide that taxation on real and personal property is not to exceed a certain rate, so the ancient Hindu law has prescribed limits which cannot be ordinarily transgressed.

(3) After due consideration of all the circumstances the king should *always* fix in his realm duties and taxes in such a manner that both he himself and the man who does the work receive their due reward.<sup>1</sup> According to Medatithi, the couplet implies that in periods of scarcity taxes should be reduced.

Kulluka's interpretation is full of significance. The king is to receive the fruit of his supervisory work and protection, while the cultivator and trader get the fruits of their labours in cultivation, commerce, etc. Thus the commentator has referred to the theory that taxes are the wages of the "king" for the protection afforded by him to his people.

(4) The king should never impose taxes *unseasonably* and *on persons unable to bear them*.

(5) Taxes should be increased after conciliating the subjects and obtaining their consent for the same.

(6) Those officers, who take from the subjects more than what is due, should be punished. Others should be appointed in their place with the admonition that they should take what is due.

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1. Manu, VII. 128.

(7) The king should always honour the aristocracy. He should seek their help in the advancement of the interests of the people. In every kingdom, the wealthy constitute an estate by themselves. Without doubt, a wealthy person is the foremost of men.<sup>1</sup>

### REMISSION OF TAXES

The cases of the remission of land tax fully detailed by the Mauryan Minister can be stated in separate rules thus :

(1) In case of *the construction of new works*, such as tanks, lakes, etc., taxes on the lands below such tanks, shall be remitted *for five years*.

(2) *For repairing neglected or ruined works of similar nature*, taxes shall be remitted *for four years*.

(3) *For improving or extending water works*, taxes shall be remitted *for three years*.

(4) In the case of acquiring such newly started works by mortgage or purchase, taxes on the lands below such works shall be remitted *for two years*.

(5) If *uncultivated tracts* are acquired for cultivation by mortgage, purchase or in any other way, remission of taxes shall be for two years.<sup>2</sup>

Thus during the rule of the Mauryan dynasty and even during pre-Mauryan times the system of the remission of taxes for the improvement and extension of agriculture was in full swing. Great encouragement was held out to the cultivators for the construction, extension, repair and purchase of irrigation works and for bringing waste lands under tillage.

The same system has been mentioned in general terms by Sūkra. "If people undertake new industries or cultivate new lands and dig tanks, canals, wells, etc., for their good, the king should not demand any thing of them until they realise profit twice the expenditure."<sup>3</sup>

In the above passage it has to be particularly marked that new industrial enterprises are united with agriculture in receiving state aids in the form of suspension of taxes. Such an act will, by curtailing expenses, leave a larger margin of profit. Thus Sūkra is a staunch advocate of "Young Industries" and State Intervention.

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1. Cf. Shanti Parva, 93. 35.      2. Arth. p. 216.      3. Sūkra, Eng. p. 148.

## GRANT OF LANDS FOR HOUSES

We meet with a very encouraging regulation in the Sukraniti. Kings have been advised to make grants of lands for residence to all grades of householders whether they live in villages or towns. The land granted to each family should be just adequate for the members of the family, neither more nor less. The scales fixed for the three grades of society show that a very large accommodation was thought to be necessary for healthy existence in these days.

Measurements of Lands for Residential Houses.<sup>1</sup>

		Length	Breadth		Area
Proletariat	..	48 ft.	24 ft.	=	1152 sq. ft.
Bourgeoisie	..	72 "	36 "	=	2592 " "
Aristocracy	..	96 "	48 "	=	4608 " "

It should be remembered that so much land was considered to be just sufficient for the wants of the three social groups. It presents an amusing contrast between the modern capitalistic society and the ancient Indian polity. In the latter, the distinctions between the rich and poor were reduced to the minimum. Even the lowest of the low have been allowed space which is not available even to the rich in these days of land scarcity and private property. While in our modern villages and cities we have got a very large class of landless and homeless workers and labourers, it is very satisfactory to read that every family had a right to a residential plot as a grant from the public domain. No information is available on the point whether the grantees had the right of use only, though in perpetuity, or whether they had any proprietary right and thus they could mortgage and alienate these lands. Probably private ownership in such lands did not exist and neither the usufructory right could be inherited by the successors of the grantee. Such grants of lands were for the life-time of the grantee himself. However, we should await for more light on this point.

The epigrammatic regulation of Sukra is of great value on these points:

The king should not give up even two fingers of land in such a way as to part with rights to it; he may, however, give lands to

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1. Sukraniti, English Translation, p. 269.

persons for their maintenance, but so long as the receiver lives.<sup>1</sup>

### *Tenancy System.*

The tenancy system was not unknown in the days of Chandragupta. There were tenants of the demesne lands as well as of private landlords. These have been described by the Prime Minister of the Mauryan Emperor as sharing the crops with the landlord in different proportions :

(1) Tenants working with their own capital pay half the share of the produce.

(2) Tenants who are supplied every form of capital by the landlord and who give their physical labour alone, pay  $\frac{3}{4}$  or  $\frac{4}{5}$  share of the yield; or if they have not been able to cultivate as agreed upon, they may pay as much as they can without entailing any hardship upon themselves.

(3) If a holding is taken possession of by another on some reasonable grounds, the latter shall be made to pay to the owner some rent, the amount of which is to be fixed after mature considerations of what is necessary for the subsistence of the cultivator, of the holding.<sup>2</sup>

Thus there were tenants who took government or private lands on the payment of annual rent, or at stipulated price or for a certain number of shares. But the main principle was that the landlord should receive so much of the produce as would not entail hardship on the cultivators.

## EXEMPTIONS FROM TAXES

### I. *Institutions of Public Utility.*

The property of the state, educational institutions, places for religious worship, hospitals, cemeteries, institutions of purely public charity, and of literary and scientific societies, *was exempt from taxation.*

### II. *The Virtuous Clergy leading the life of Voluntary Poverty—*

(1) The most important exemption is to be seen in the case of the priests. All law-books are unanimous on the point that no taxes ought to be levied from Brahmins. Vishnu declares that the king

1. English Translation, Page 27.

2. Arthasastra, pp. 144, 215, 216.

should not levy any tax upon Brahmins for they pay taxes to him in the shape of their pious acts.<sup>1</sup>

Manu uses a more emphatic language when he says:—"Though dying with want, a king must not levy a tax on Shrotriyas."<sup>2</sup>

No qualifying clause has been used in the above texts, yet it appears from several law codes that only learned and pious Brahmins were exempted from taxes, because they were always very poor.<sup>3</sup> Haradatta in his gloss remarks that those shall not be free from taxes who perform austerities in order to make their magic charms efficacious.

The whole class of clergy was not exempt from sharing the burdens of state-expenses. The question has been fully explained in the Shanti Parva as follows:—

A virtuous king should realise tribute from and impress without pay into the public service those Brahmanas that are not possessed of Vedic lore and that have not their own fires to worship. They that are employed in courts of justice for summoning people, they that perform worship for others for a fee, they that perform the sacrifices of Vaishyas and Shudras, they that officiate in sacrifices on behalf of a whole village, and they that make voyages on the ocean—*these five are regarded as Chandalas* among Brahmanas. Then, those who become Ritwijas, Purohitas, counsellors, envoys, and messengers, become equal to Kshatriyas. Similarly those that ride horses or elephants or cars or become foot-soldiers, become equal to Vaishyas. If the king's treasury is not full, he may realise tribute from these. In realising tribute, the king, however, should except those Brahmanas that are (for their conduct) equal to the gods or Brahma. The Vedas say that the king is the lord of the wealth belonging to all the orders except Brahmanas. He can take the wealth of those Brahmanas also that have fallen away from their legitimate duties. The king should never be indifferent towards those Brahmanas that are not observant of their duties. For the sake of making his people virtuous, he should punish and separate them from their betters.<sup>4</sup>

In the next chapter, the same thought has been briefly reiterated.

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1. III. 26. 27.      2. VII. 113. Vishnu, III, 26.      3. Apa. II. 26. 10.  
4. Shanti Parva, 76. § 11.

'The *Vedas* declare that the king is the lord of the wealth that belongs to all persons except Brahmins, as also of those Brahmins that are not observant of their proper duties. The king should not spare those Brahmins that are not observant of their duties. *The righteous say that this is the ancient custom of kings.*<sup>1</sup>

### III. *Non-Taxable Persons.*

Apastamba has been more explicit than other law-givers in giving a full list of all those persons or sections of society that ought to be free from taxes. The list<sup>2</sup> is undoubtedly very interesting and instructive and throws a flood of light on the civilization of those days :

The non-taxable people are :

- (a) Women of *all* castes.
- (b) All male minors.
- (c) All students and apprentices.
- (d) All ascetics who are intent on fulfilling the sacred law.
- (e) Sudras who live by washing the feet.
- (f) Those to whom the acquisition of property is forbidden, as Sanyasins, etc.
- (g) Blind, dumb, deaf, and *diseased* persons as long as their infirmities last.

Vasishtha<sup>3</sup> adds a few more exemptions :

- (h) servants of the king.
- (i) Those who have no protector.
- (j) Very aged men.
- (k) Messengers.
- (l) A sum less than a *karshapana*.
- (m) Incomes gained by art.
- (n) Alms.
- (o) Remnants of property left after a robbery.
- (p) Sacrifice.

While Apastamba exempts all women propertied and non-

propertied, Vasishtha seems to except only widows who have returned to their paternal family, unmarried maidens and the wives of servants. It implies that he was in favour of imposing taxes on females who possessed property or were engaged in any trade or occupation.

The ferry-charges were fixed as under :

A man with a load,	}	1 masha.
A minor quadruped with a load,		
A head-load,	}	2 mashas.
A load carried on back,		
A cow,		
A horse,		
A camel, a buffalo,		4 mashas.
A small cart,		5 "
A cart drawn by bulls,		6 "
A big cart,		7 "
A head-load of merchandise,		4 "

In big rivers, ferry-fees were double the above. The Superintendent of Boats was to make good the loss caused by the loss of the boat due to heavy load, sailing in improper time or place, want of ferry-men or lack of repair.<sup>1</sup>

Vishnu has prohibited the collection of tolls and ferry charges from students, hermits, ascetics, pregnant women and pilgrims. All charges forcibly made by officials and ferry-men are to be restored to those persons.<sup>2</sup>

This rule is fully confirmed by the code of Chanakya :

Brahmans, ascetics (pravrajita), children, the aged, the afflicted, royal messengers, and pregnant woman *shall be provided by the superintendent with free passes to cross rivers.*<sup>3</sup>

A little reflection will show that

(i) out of the four orders of society, only the house-holders had the duty to pay taxes and the remaining three orders of students, ascetics and hermits were non-taxable.

(ii) all the house-holders even were not required to contribute

1. Arth. pp. 158-59.

2. Vishnu. 132-33.

3. Arth. Page 158.



to the state. All virtuous Brahmanas, minors, females, destitute, defective and diseased persons were also exempted.

Thus the able-bodied males engaged in the production of wealth or in private and state service were liable to be taxed. In short, the Sudra, Vaishya and Kshatriya house-holders as well as the Brahmanas performing the duties of any of these three classes, when they were able to work and were employed in profitable occupations, bore the financial burdens of the state.

(iii) Men in their official capacity were exempted from paying tolls and customs.

(iv) Very small incomes were also exempted.

(v) No taxes were to be levied on expenditure incurred on religious ceremonies.

(vi) But the most important exemption consisted of incomes derived from the profession of art. It is evident that a policy of encouragement of art was laid down by Vasishtha.

Lastly, one more exemption for fostering agriculture and improving the cattle deserves attention. The rule of Vasishtha is that no taxes shall be paid on the usufruct of rivers, dry grass, forests, places of burnt brush-wood and mountains. Thus no water rate was to be charged for the use of the river water in the fields, nor any fees for grazing were to be levied on the state pasture grounds. Vasishtha preferred to place all the available lands at the disposal of the agriculturists. He has qualified his statement in the following aphorism by saying that those who derive their subsistence from these sources, may pay something.

Some light is thrown on this topic by the exemptions from the capitation tax even now allowed in Burma :

These include, roughly speaking, Government servants, including village magistrates and village headmen ; ministers and priests and teachers of religion ; persons who are engaged in the work of education ; persons who have no property or means of paying the tax, including those who are in prison ; residents of places outside Lower Burma travelling from place to place ; persons who have paid income-tax ; and persons who are certified to have rendered special service to Government.

## THE REVENUE DEPARTMENT

The duties of the Revenue Department were to furnish information on the following points to the head of the state :

- (1) Number of villages, towns, and forests, in the kingdom.
- (2) The extent of cultivated land.
- (3) The extent of uncultivated but cultivable land.
- (4) The extent of pasture lands.
- (5) The number and names of persons entrusted with the collection of land revenue and other taxes.
- (6) The amount of revenue collected.
- (7) The arrears of revenue.
- (8) The names of the collectors of arrears.
- (9) The amounts of all other kinds of income shown separately under each head.<sup>1</sup>

The statistical data collected during the fourth century before Christ, must have been vast, as it differs very little from the modern practice of civilized nations. But the detailed items of the economic census of every village are still more interesting and comprehensive than the preceding data. Even the Government of India has not still entrusted such an extensive work to its Census Department.

## VILLAGE CENSUS

The village or town officer was charged with the duty of keeping several registers.

I He was to make the following entries on the extent of land :

- |                         |                     |
|-------------------------|---------------------|
| (a) cultivated          | (g) pasture grounds |
| (b) uncultivated        | (h) roads           |
| (c) plain or waste land | (i) fences          |
| (d) wet lands           | (f) forests         |
| (e) fruit gardens       | (k) altars          |
| (f) vegetable gardens   | (l) temples         |

(1) pp. 73-74 Eng.

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(1) pp. 73-74 Eng.

- (m) irrigation works                      (o) feeding houses  
 (n) cremation grounds                    (p) water-stalls  
 (q) places of pilgrimage.

II. He was to fix the boundaries of various villages, of fields, forests and roads.

III. He was to register gifts, sales, charities and remission of taxes.

IV. He was to number the houses as tax-paying and non-tax-paying.

V. He was to enter the exact number of the inhabitants of all the four castes.

VI. He was to have an occupational census wherein an exact number of cultivators, cow-herds, merchants, artisans, labourers, and slaves was to be given.

VII. A census of live stock and bipeds was to be taken.

VIII. The account of the taxes to be paid by each house in gold, free labour, tool and fines was to be kept.

IX. He was to collect age statistics.

X. It was his duty to record the history of all persons, their occupations, incomes and expenses.

XI. Information on emigration and immigration was to be collected.

XII. The performance of these duties was to be supervised and checked by commissioners on the one hand and by spies on the other.

The duties of the C. I. D. form an interesting reading:—

Spies under the disguise of householders (grihapatika, cultivators) who shall be deputed by the collector-general for espionage shall ascertain the validity of the accounts (of the village and district officers) regarding the fields, houses and families of each village. . the area and output of produce regarding fields, right of ownership and remission of taxes with regard to houses, and the caste and profession regarding families.<sup>1</sup>

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1. Kautilya's Arthashastra, p. 179-180.

Likewise spies under the guise of merchants shall ascertain the quantity and price of the royal merchandise such as minerals, or products of gardens, forests, and fields or manufactured articles.

Similarly, spies under the guise of ascetics shall, as ordered by the Collector-general, gather information as to the proceedings honest or dishonest, of cultivators, cow-herds, merchants, and heads of Government departments.

XIII. The returns of the sale of royal merchandise were to be kept.

XIV. The statistics of exports and imports were also to be collected.

In every town too these duties were performed by the ward officers called Gopas who were in charge of ten, twenty or forty house-holds. They were not only to know the caste, gotra, name and occupation of both men and women in the houses of their wards, but also to ascertain their income and expenditure.<sup>1</sup>

The practice was partially adopted by Akbar. The rule was that the Kotwal was to submit a monthly statement of the condition of the people, of the *jagirdars*, the neighbouring residents, the remission of the rebellious, the market prices, the current rents of tenements, the state of the destitute poor, of artificers, and all other contingencies<sup>2</sup>

### FREE JUSTICE

Indian agriculturists had not to spend a single pie for the recovery of their stolen property, and they were fortunate in escaping from the clutches of the expensive courts of to-day. Justice is being sold in modern civilisation. A man with a long purse alone can approach the courts. Poor peasants and workmen have to silently suffer all the insults and encroachments upon their rights. On the contrary, in the olden days every man had a right to be judged by his own peers in Hindu Kingdom. Disputes about boundaries and other matters were easily settled in every village through arbitrators or king's courts.

Manu's law reads:—

1. Kautilya's Arthashastra, p. 181.

2. Ain. II. 47.

"If a dispute has arisen between two villages concerning a boundary, the king shall settle the limits in the month of Gyaishtha, when the land marks are most distinctly visible.

The witnesses, (giving evidence) regarding a boundary, shall be examined concerning the land-marks in the presence of the crowd of the villagers and also of the two litigants.

As they, being questioned, unanimously decide, even so he shall record the boundary (in writing), together with their names.

Let them, putting earth on their heads, wearing chaplet. (of red flowers) and red dresses, being sworn each by (the rewards for) his meritorious deeds, settle (the boundary) in accordance with the truth.

If the boundary cannot be ascertained (by any evidence), let a righteous king with (the intention of) benefiting them (all), himself assign (his) land (to each); that is the settled rule.<sup>1</sup>

The system of settling boundary disputes prevalent at the time of the Mauryan Empire, has been described by the Kautilya in these words :—

In all disputes regarding the boundary between any two villages *neighbours or elders of five or ten villages* (panchagrami dasagramiva) shall investigate the case on the evidence to be furnished from natural or artificial boundary-marks.

*Elders among cultivators and herdsmen*, or outsiders who have had the experience of former possession in the place, or one or many persons (not) personally acquainted with the boundary-marks under dispute shall first describe the boundary-marks, and then, wearing unusual dress (viparitaveshah), shall lead the people (to the place). If the boundary-marks just described are not found, a fine of 1,000 *panas* shall be imposed (on the misleading or guilty person). If, however, they arrive at the exact spot, the party who have either encroached upon the boundary or have destroyed the boundary-marks shall be similarly punished.

The king shall beneficially distribute among others those holdings which have no boundary-marks or which have ceased to be enjoyed by any person.

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1. VIII. 245, 254-56, 265. Cf. Yajn. II. 150-53. Vish. V. 167.

*Disputes about fields*

Disputes concerning fields shall be decided by the elders of the neighbourhood or of the village. If they are divided in their opinions, decision shall be sought for from a number of pure and respectable people, or, the disputants may equally divide the disputed holding among themselves. If both of these methods fail the holding (vastu) under dispute shall be taken possession of by the king.<sup>1</sup>

*Stolen Property Made Good By The State*

It is easy to conclude from the Hindu theory of taxation that the losses sustained by the people through want of protection be made good by the king. He is getting his wages for defence and protection and hence he must forfeit his remuneration in cases of his incapacity to protect the taxpayers. It was a universal law of ancient India that the state was bound to restore the stolen property and if no trace could be found of it, its price was to be paid from the public treasury. Sometimes the price was realized from the police and other officers in charge of the place where theft had been committed. It was the most salutary law and ought to be adopted by all modern states.

The universality of this rule will be visible from its incorporation in the following codes :—

Having recovered goods stolen by thieves, let him restore them entire to their owners, to whatever caste they may belong. If he has been unable to recover them, he must pay (their value) out of his own treasury.<sup>2</sup>

King's officers must protect a town from thieves in every direction to the distance of one yojana or four kosas.

They must protect the country to the distance of one kosa from each village.

They must be made to repay what is stolen within these boundaries.<sup>3</sup>

Having recovered property stolen by thieves, the king shall return it to the owner;

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1. Kautilya's Arthashastra, pp. 214-15.

2. Vishnu. II: 66-67.

3. Apastamba. II. 26. 6-8.



Or if the stolen property is not recovered he shall pay its value out of his treasury.<sup>1</sup>

Property stolen by thieves must be restored by the king to men of all castes (varna); a king who uses such property for himself incurs the guilt of a thief.<sup>2</sup>

Listen now to the means by which the king may purge off such sins. If the king fails to restore to a subject the wealth that has been stolen away by thieves, he should then make good the loss from his own treasury, or, in case of inability, with wealth taken from his dependents.<sup>3</sup>

"The king is to protect the people from the oppressions of his own flatterers, from thieves, from the wicked, and the violent, specially from the Patwaries or scribes (kayasthaih). The sins that people commit when unprotected, one half of those sins, is the king's, who takes taxes from them."<sup>4</sup>

This law was recognised even by Akbar and incorporated in his code. 'The Kotwal shall discover thieves and the goods they have stolen or be responsible for the loss.'<sup>5</sup>

### COMMON PASTURE LANDS

The practice of having free and common grazing-grounds for the cattle of villages and towns was universal throughout India. All the prominent law-givers have laid down the rule that such commons should be provided by the state.

*Manu*.—On all sides of a village a space, one hundred dhunus (bow's length) or three Samya-throws (in breadth) shall be reserved for pasture, and thrice that space round a town.<sup>6</sup>

Thus a space of about 600 feet round every village was necessarily reserved for the grazing of the cattle. Yajnavalkya differs a little from Manu. Says he:—Grazing grounds are to be laid out as desired by the village community or as ordered by the king.

A belt of grazing ground to the extent, of 100 bow's length should be reserved all about a village, of 200 round a Kharvat—a taluka town and of 400 round a town.<sup>7</sup>

1. Gautama. X. 46-47.

3. Shanti Parva. 75. 10. p. 112.

5. Aini II. Page. 42.

2. Manu. VIII. 46.

4. Yajnavalkya, I. 336, 337. Cf. II, 36.

6. Manu VIII. 237. 7. II. 166-167.

*Vasishtha* likes all unoccupied land of the state to be thrown open to the cattle of the people. He would not charge any grazing fees for pasturage :—

‘No taxes shall be paid on the usufruct of rivers, dry grass, forests places of burnt brush-wood and mountains’<sup>1</sup>

The king shall make provision for pasture grounds on uncultivable tracts, because they are the sources of cows, horses and camels for war purposes.<sup>2</sup>

This rule was incorporated in the Laws of Akbar which continued to be observed and enforced up to the middle of the 18th century by all the Moslem rulers of India. Four oxen, two cows and one buffalo were to be assigned to each plough and no impost could be laid on these. If a cultivator turned his cultivable land into pasturage, he was to pay the small fee of six *dams* for each buffalo and three *dams* for a cow per year but calves and buffaloes which had not calved, were exempt even from this charge. Thus the agriculturists were free to change their lands into pasture lands and be exempt from paying taxes to the state. Each one of them had the right of free pasturage at the rate of seven heads of cattle and their calves for every plough.

‘Whosoever does not cultivate land liable to taxation but encloses it for pasturage, the Collector shall take for each buffalo six *dams*, and for an ox, three *dams* yearly, but for a calf or a buffalo which has not yet calved, he shall make no demand. He shall assign four oxen, two cows and one buffalo to each plough and shall lay no impost on these.’<sup>3</sup> *(to be continued.)*

1. XIX. 26.

2. Arthashastra Eng. pp. 54, 375.

3. Ain. II, 46.

# BRITISH-INDIA AND THE GOLD STANDARD

BY

E. P. WELLENSTEIN

*Welterviden, Java*

The report of the Royal Commission on Indian Currency and Finance marks another milestone of British-India's weary toil to a gold standard. This last report, with its great number of appendices certainly throws a vivid light on the currency problem; not much is left to be said, that has not been said already. Nevertheless several points in the question, when viewed with another than the British-Indian or the Anglo-Saxon turn of mind, might help to bring a solution, which is of interest not only for British-India, but also for other countries. Especially the countries on the Pacific, which by their situation have a rational tendency for commercial relations with India, relations, of which for the future with the extension of industrialization a most marked increase may be expected, are strongly interested in the decisions, which the coming months may bring.

We may presume, that after all that has happened during the last years the only solution of the Indian currency problem lies in a gold standard. A sterling-exchange or gold-exchange standard may perhaps be cheaper to maintain and as such show a marked superiority over other systems, the fact that a few years ago, the (gold-sterling) exchange broke down completely, leaving India with all the difficulties and costs of this breakdown, more than amply justifies the outcry for a gold-standard from influential parts of the community. Prof. *Edwin Cannan* emphasized this view most lucidly in his preface to *Mr. Ambedkar's* "The problem of the rupee".

"The recent experience both of belligerents and neutrals certainly shows that the simple gold standard, as we understood it before the war, is not fool-proof, but it is far nearer being fool-proof and knave-proof than the gold-exchange standard. The percentage of administrators and legislators who understand the gold standard is painfully small, but it is and is likely to remain ten or twenty times as great as the percentage which understands the gold-exchange system. The possibility of a gold-exchange

system being perverted to suit some corrupt purpose is very considerably greater than the possibility of the simple gold standard being so perverted."

Taking for granted, that a gold standard gives the only acceptable solution, the next question to be answered is whether the gold-standard will have to involve the circulation of gold coins. This question has been answered in the negative by the latest Currency Commission; many witnesses answered the question in the affirmative. The answer to the question according to us, should not be: "Yes or no" but "Yes and no". There is no gainsaying the fact, "that the circulation of gold is beginning to be regarded as a sign of backward civilisation".<sup>1</sup> The better a gold-currency is managed, the more it tends to become an exchange currency; the gold is there, but as a latent force. And as long as this exchange-standard rests purely on *confidence*, is not enforced by the laws of the country, as long as the public is free at every chosen moment, to substitute its notes, etc., for gold, the system remains fool-proof and knave-proof. Shades of foolishness or knavishness would suffice to kill confidence and to deprive the currency and credit controllers, of their temporary powers.

This reasoning tends to the conclusion, that circulation of gold coins should be avoided. But at the same time one cannot expect for countries like British-India or Netherlands-India, that the whole population, even the greater part of it, understands the subtle working of an exchange and currency system and gives the same credit to the use of paper as to the use of metallic coins. There is, and for decades, perhaps for centuries to come, there must be, a predominating element of truth in the words of Sir Rajendranath Mookerjee, who, when speaking about the influence of gold coins gave as his opinion:

"But perhaps for a barbarous country like India the barbarous relic may prove a blessing."

It has to be admitted, that even in Netherlands-India, where currency difficulties during and after the latest great war, were negligible compared to those of British-India and in which country a Central Bank has been in existence for almost a century and its

notes in circulation, in many backward tracts only the old *silver* coin is admitted by the native population of having value and accepted as a medium of exchange.

Now the introduction of a gold coin of such value, that its use might and probably would become almost universal is most certainly to be regarded, not only as a most expensive solution of the difficulties involved, but also out of all possibility. In this respect the views of the Currency Commission have got more or less to be endorsed. It would mean for India the probability of an immediate realisation of a tremendous loss on silver, a loss now running in the yearly accounts without further effect and which, without any objection could be left to run on for many years to come. It would also mean such a drain on the world's gold supply, that the most severe consequences for British-India have to be reckoned with. At the same time the "gold-bullion" system, as advocated by the Currency Commission, can hardly satisfy the aspirations for a gold-standard and must fail to give the rupee a sufficient standing amongst gold currencies. The solution therefore, according to our ideas, lies in a gold coin of a value of Rupees 50 or 60.<sup>1</sup>—(say 60.) being made the standard coin and legal tender to any amount

We frankly admit, that perhaps with a gold coin of this value, a greater drain on the world's gold may be expected, than when the gold standard rests on selling and buying of gold in quantities of some Rs. 22,000.—at a time, as proposed by the Currency Commission. We fail to see, however, that this drain will be much greater, when during an inevitable transition period the necessary precautions prevail.

The outlook of the use of gold put forward in the Currency Report by *Cassel* and others, and more or less endorsed by the Commission gives, according to our ideas, a needlessly gloomy outlook. On this point we beg to emphasize two facts, which are of the greatest importance and tend to a more sanguine point of view. It should be noted in the first place, that the last report of the Netherlands Bank as well as the last report of the Federal Reserve Board, state the fact that both Banking Institutions have

1. The United States of America have a gold coin of 20 dollars, approximately £4 2s. 2d. A 60 rupee coin would have a value of £4 10 sh.

forced gold into circulation during the last year, a policy, which would have been followed, if those institutions did not believe in a partly superfluity of their stock of gold. The second fact to be noted, regards the means by which a favourable balance of trade for British-India has to be balanced, which shows that there is a natural flow of precious metals into the country, a tendency, which by the latest tariff reforms can only have been strengthened.

On the other side the advantages for British-India of a gold coin must be of a most marked character. The fact, that it will become possible to contract loans on foreign markets in gold-rupees, must give a standing to the rupee, which up to now it has always missed and will always miss, as long as the value of the rupee depends on repealable statutory obligations of selling and buying exchange or golden bars. This gain to the community as a whole, might by itself force the decision. The benefit is to be added, that for a population, for the greater part still to be educated to the use of savings—and other banks, the gold coin will bring a possibility of hoarding (saving) in accordance with their mentality and at least possible cost. This way of accumulating wealth of a fixed international value may be of great use in times of stress. In this respect it is only to be regretted, that the value of the coin has to be kept high, so that by far the greater part of the community will only benefit indirectly.

Once admitted that the introduction of a gold coin of sixty rupees brings a recommendable solution of a difficult problem, the question arises in which way the use of this coin is best introduced.

In answering this question there has to be emphasized, not only once, but it is a truth, which has to be kept in view all the time, that for a scheme, which has to bring India the gold standard, only the broadest outlines can be given. Circumstances may be favorable; they may be adverse. World conditions in the coming years may undergo an improvement; the situation in some European countries may get worse and worse. Monsoons may be favorable to the crops; they may bring famine. And it is according to these unknown circumstances, that action has to be taken. We therefore fail to see in all the different proposals of the Currency Commission

and others, to attain such and such within so and so many years, anything else than *f. i.*, an attempt to direct the movement of troops in a great war, months beforehand and by an Act of Parliament. All that is wanted—and more will only cause any amount of harm—is a broadly outlined plan of action, with a great amount of freedom for the executive powers to act according to circumstances, and with public opinion and the legislative powers on the watch, that at every moment the best attainable is really attained. Before outlining this plan of action, some attention may be asked for the solution of analogous difficulties in another country, viz., the way Holland for half a century lived and prospered on a bogus gold-standard, which she only nowadays is going to attain in reality.

The Dutch currency even up to the present day knows as legal tender up to unlimited amounts the golden ten and five guilder coins and the silver "rijksdaalder" of two guilders and a half and the guilder.<sup>1</sup> This regulation dates from some fifty years ago. When after the Franco—Prussian war, Germany went on to the gold-standard in 1873, the Dutch Mint was for a year closed for the coinage of silver. In 1874 a bill was brought before Parliament to go over to gold and to demonetize silver. This bill was rejected; the mint once more was closed for the coinage of silver. In those years up to 1875, with a constant fall in the price of silver Dutch exchange went up. For those years *Pierson* estimates that the need for currency rose from 600 to 700 million silver guilders and at the end of 1880 the Bank of Issue, the Netherlands Bank, had accumulated a stock of gold of some 80 million guilders. Two years afterwards however this stock of gold had been greatly depleted; no more than some 5 million guilders of gold were left to the Bank. It was not till then, that is in 1884, that a law was passed, granting the Government the power to melt and sell 25 million guilders of silver, the proceeds hereof to be used for the buying of gold. *This law has never become operative.* Notwithstanding this the Dutch guilder by the actions of the Central Bank always kept its situation as a strong gold currency and not until the year 1926, was the question taken up of depriving the "rijksdaalder" and guilder their

<sup>1</sup> One Dutch guilder is hundred cents. At a rate of 1sh. 6d. the rupee, a rupee would come to about 90 cents. Dutch.

function of legal tender and to debase them to token-coins.

We beg to emphasize, that this trend of affairs has only been made possible by two circumstances. The abundance of silver coin in Holland was during the years after 1875, for the greater part absorbed partly by Holland itself, and partly by Netherlands-India. The extension of the use of silver coins has been such, that not only in later years considerable amounts have had to be coined, but also a quite appreciable amount of two guilders fifty and guilder currency notes have been brought into circulation. The other circumstance has to be seen in the fact, that the Netherlands Bank, and also the Java Bank, up to 1914 offered either gold or exchange for sale, when exchange neared the upper gold point of the guilder. Gold coins were during the preceding years sometimes more or less freely handed to the public on demand; they could always be coined against costs of seigniorage, a right very rarely used.

Taking this example into consideration, we should say that the first step to bring British-India to a gold-standard should be nothing else than the creation of gold coin of sixty rupees as legal tender up to any amount, with freedom for everybody to tender gold to be coined and also freedom to contract in gold-rupees, the silver rupees as well as notes in the meantime also keeping their character of legal tender. It will probably be advisable for the Government to coin part of her gold holdings into the new standard coin, thus establishing the fact, that this coin for the future is going to be the pivot of currency regulation. For coining on behalf of others seigniorage should be paid for; we fail to see any harm and some profit for the mint, especially during the transition period.

Once the gold coin exists with the status of legal tender it certainly should not be the aim of the Government or the Central Bank to bring this coin into circulation. Every attempt in this way is bound to be a failure, according to *Gresham's* law, as long as silver coins, notes and gold coins are not interchangeable on demand. The idea of introducing the gold coin at earliest possible date is no other than to open the possibility of contracting foreign gold-rupee loans and opening to the community the possibility of saving in the form of golden coins.

The introduction of this coin may have an effect on the use of



silver. That to some extent rupees will come back out of circulation may be regarded as a certainty ; to what extent can only be a question of guess-work as the several estimates in the Currency Report and its appendices will show. In this respect we should like to point out two facts. First of all with an increase of trade, with an increase of prosperity there will be an increased demand for token-coins. - As long as the silver-rupee remains in circulation, in the first years to come as legal tender to any amount, after one or more decades largely as silver coins, the greater part of the rupees will remain in circulation and it is not even a very optimistic point of view, that within a reasonable space of time a temporary surplus of coins will find its full and proper use, in the same way as a temporary surplus in Holland has been swallowed by the increase of trade. Another fact is, that there is a marked difference between those, who hoard in silver and those who hoard in gold. Taking into consideration the value of the imports of precious metals in British-India during the last decades, there is no gainsaying the fact, that for silver, as well as for gold great sums are being spent annually by the population. Both metals must have their own and marked use and it certainly would mark a trend of pessimism to reckon on the possibility, that ornaments which from time immemorial have been made of silver should for the future be turned out in gold, because India is leaving a gold (sterling)-exchange standard for a gold-standard. The same ideas have to prevail about those, whose amounts of hoarding are such that they can only be kept in silver, as gold for them is too valuable.

Still the danger of a fall in the use of silver and an increase in the demand of gold prevails. The Currency Commission sees a solution of this part of the problem in the handing over of superfluous silver-coins from the Central Bank to the Government, the Government having to hand over in the ratio of 5 to 4, gold and gold securities, these last—if needed—to be created by the British-Indian Government in the form of a sterling paper up to an amount of Rs. 7 crores. We fail to see the value of this solution, other than as a mode for window-dressing the balance sheet of the Central Bank, that has to be created. The only alternative in this respect is, according to our ideas, rightly given in the scheme of the Finance Department, where the possibility is envisaged, that a

certain amount of silver will have to be melted and sold, just as in Holland, at a certain moment, this was regarded as the only possible way out. If the introduction of the gold-standard, in whatever way, effects the demand for gold to an appreciable extent, this demand will immediately react on the exchange and will have the tendency to drive exchange up to the upper gold point of the rupee. As far as we understand the proposals of the Currency Commission, at this point their so-called "notified prices" no longer act and the demand for gold, has to come out of the currency reserves. In these reserves the Rs. 7 crores sterling paper can only figure as an asset, when they are saleable abroad, which—according to the Commission's views—is hardly to be expected. The only alternative then will be the sale of silver, if the currency reserves are not once more to be weakened to such an extent, that maintaining the rupee at 1 s. 6 d. becomes a most speculative effort.

Personally we do not expect the danger in this respect to be very great; if the flight from silver temporarily might become very marked, we would most strongly advise to endorse Sir Basil Blackett's proposal to levy a heavy import duty on silver, which might even take the form of a strictly prohibitive rate. This rate would certainly have the effect, that the value of silver in the imports would become free for the purchase of gold and to tend to keep the balance of trade and balances of payment in almost the same position as during recent years. In this respect we also beg to emphasize, that all Government measures, tending to curtail the use of silver, especially the use of rupees, can only make the situation more difficult than it already is. As such the proposal of the Currency Commission to issue one rupee notes is open to strong criticism.

That parts of the population will gladly take to the use of one rupee notes is quite possible. When at the end of 1919 the Netherlands-Indian Government introduced one guilder and two guilders fifty notes, we witnessed ourselves on a big tea estate in the mountains of Java, that the population was so childishly keen on these notes, that they gladly gave one guilder five cents and two guilders sixty for those notes; these thus stood at a premium. At the same time, even up to now, in some parts of the country anything else but silver-coins are refused as a medium of exchange. Now

the smaller value of a note, the more it passes hands, the more it is liable to get dirty and useless and therefore the oftener have the notes to be replaced by new ones. The use of guilder notes in this part of the world is therefore not considered as a very cheap way at satisfying the wants for currency. In the same time there are severe objections from a medical point of view. Bearing in mind, that British-India possesses already silver coins sufficient to satisfy all wants for years and years to come, it does not seem recommendable in any respect to substitute the use of rupees by the use of rupee notes.

Granted that the introduction of a gold coin of sixty rupees as the pivot of Indian currency is to be considered as the first step in the right direction, the second step should be the creation of the Central Bank. In this respect we endorse a common opinion. The control of currency and credit should be in one hand, as the Currency Commission has most ably expounded. The conditions, to be stipulated in the charter, form the greatest difficulty, to be solved. As the conditions should be for the future, there is very little scope for discussion; the problem lies in the ruling of the measures, needed in a transition period. Nevertheless a few remarks may be made, on the conditions as worded in the Currency Report.

The Commission advocates, what one might call the German system of a proportional reserve, with a heavy tax when the real percentage of gold and gold securities to notes falls short of a given percentage. In this respect the Commission argues the necessity of a reserve of 40% gold and gold securities, with a holding of gold coin and bullion of at least 20% at the end of the 5th and of 25% at the end of the 10th year from the date of the charter becoming effective. We bring to notice that those percentages may bring about a practically useless drain on the world's gold supply. The meaning of the Central Bank's reserve, as far as it rests on gold, is no other than to be able to keep up exchange as long as its notes are not convertible into gold on demand. And for keeping up exchange, the gold securities as defined by the Currency Commission will probably work smoother than gold itself. A fixed amount of 15% for gold coin and bullion therefore should be ample, specially when for the gold securities another 15% are to be kept in bills of

a maturity not exceeding 90 days, bearing at least two good signatures drawn on and payable at a foreign money centre and *in a gold currency*. Probably for the first decades and in normal conditions, these 30% will be more than sufficient to meet all exigencies, as the volume of foreign trade compared to inland trade must give a far smaller percentage than for other countries like Holland, which up to now has kept its gold parity on 40% *metal*, viz., gold and silver combined.

Another point, where we differ from the Currency Commission's opinion rests on the way the ~~reserve~~ reserve should be calculated. The commission in this respect discerns an Issue Department and a Banking Department, leaving the Banking Department all liberty, and putting up certain liabilities for the Issue Department, one of those being the reserve of 40% gold and gold securities for notes handed over to the Banking Department. We fail to see how in this way the aim will be attained of a sufficient control of credit, of a reserve expending and contracting with the credit. Once a Central Bank has been instituted in India, we must expect deposits in current account with that Bank to form an important factor in the liabilities of the Banking Department, specially important in regard to foreign trade. With a drain on the deposits, their change on demand into foreign exchange or bank notes might put a strain on the Issue Department, which this Department, has not provided for and would be unable to meet at short notice. We therefore are of opinion that the gold reserve should be a percentage not of the liabilities of the Issue Department, but of all the liabilities of the Bank. Only by taking Banking and Issue Departments together, a clear and useful insight may be got of the situation of the Bank, in respect to the gold reserve, and in respect of the scope of its activities.

As we remarked beforehand, the great difficulty lies in the regulations for the Central Bank in the transition period. This Central Bank once having come into existence it will certainly be the wisest policy to hand over the currency reserves of the Government of India to this Bank, with the idea of the new institution looking after a fixed parity for the silver-rupee. Assuming this parity to be 1s. 6d., the question arises whether the currency reserves now in existence will be sufficient for future developments. We gave as our opinion that a gold and a gold securities reserve of 30% should probably be ample to meet all exigencies, but the

question will be to get to that reserve. Drastic regulations alone will not provide the circumstances which will make the accumulation of this reserve in gold possible, and as we emphasized before, situations may occur whereby the sale of silver will be the only expedient. But circumstances might become adverse to such an extent, that exchange could only be held up at such cost, that a temporary fall of the rupee, as in 1908, would be the lesser evil. The reserves and the currency remaining in charge of the Government, the question how far the reserves should be used for the up-keep of exchange might be left to the decision of the Government in accordance with the legislative powers. This question having to be solved and embodied in a charter some more or less fixed regulations are wanted, to evade a clashing of interests between the community and the Bank.

For these regulations we recommend the following. The issue of bank notes by the new Central Bank may serve two purposes. The bank notes may replace outstanding currency notes or silver rupees; they may also be issued as a consequence of an extension of currency or credit. As far as the issue of bank notes or deposits in current account show an expansion compared to the present situation a reserve of sixty percent gold and gold securities should be required as far as the issue of bank notes replaces currency notes or silver rupees the reserve should be left at what it is. The Bank will in this way be bound to a reserve in true gold value, the same as it takes over from the Government, of which reserve the part in gold will gradually increase till it attains the required level. Also the percentage attained might increase by the Government substituting the part of the reserve, kept in silver or silver securities, by gold securities *negotiable abroad*. In the transition period the Bank will be bound to sell and buy either gold or *sterling* at the upper and lower gold points to keep the rupee at 1 sh. 6d. At the same time the Bank should be empowered to leave exchange alone, as soon as its compulsory exchange or gold dealings have deprived it to such an extent, that its gold and gold securities reserves have come down by twenty five percent from the initial value. If such might happen by succeeding bad harvests or a temporary flight from silver, and not sooner, the time will have come for the British-Indian Government to step in and replace the then

useless silver or silver securities by gold or gold securities.

In the second place there should be created, what might be called a natural tendency for the Bank to strive after a thirty percent. gold and gold securities reserve. We therefore recommend, apart from forming adequate reserves out of profits, that the maximum of 8% allotted to share holders by the currency commission, should only be kept during the transition period. As soon as the gold reserve has attained the desirable percentage and this percentage has been kept during the year in progress, part of the remaining profits, say one eighth, should also be allotted to share-holders, as to be ascertained within reasonable bounds of their full co-operation in attaining with least delay, and in the same time with least cost to the community, the desired monetary situation.

Once the thirty percent standard has been attained, there will of course be no reason to allow this percentage to fall off, except so far, as also foreseen by the Currency Commission, that the Bank will have freedom to do so against a tax which should more than fully nullify all extra profits to shareholders. This percentage having been attained for some years, the time will have come to close the transition period.

The transition period closed, the time may have come to put the Bank under obligation of changing on demand her notes into golden coins. The obligation should be such, that the use of golden coins for internal circulation should only go at a premium, being the cost of seigniorage, the Bank remaining under obligation to sell exchange without these costs on those countries, where no right of seigniorage is levied. Silver rupees can then be deprived of their quality of legal tender to every amount over Rs. 100; the acceptance of notes remains compulsory, except for payments made by the Central Bank and its branches.

We may expect, that the community itself, with its love for precious metals, will in the meantime have put up a considerable amount of golden coins. If in the very distant future the amount of gold brought into the country, becomes very considerable, the problem can be reviewed whether time is not ripe for the introduction of a gold coin of a value of Rs. 20., so that more people will have the full benefit of a Gold Standard.

# PROVIDENT FUND AND PENSION SYSTEMS

BY

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The following is an attempt to discuss the relative merits of the Provident Fund and Pension systems with a view to ascertain which is more suited to the present conditions. But this is a subject, where statistics and other information are not freely available. The figures I could lay hands on, are not adequate to tell us much of what we require to know. I must run the risk, therefore, of falling into an error of fact, and hope, that if those errors provoke criticism, they may bring to light the true facts at the same time.

The information required is the total amount of salaries in the whole country and the amount spent in pensions in a particular year. If these figures were available for a large number of years, it would be possible to find with a fair amount of precision the average cost of Pensions. Then, similarly, the cost of the Provident Fund on an average would be ascertained and the two costs could be compared. To make the meaning clear, let us take an example. Suppose the amounts spent on salaries and pensions, on an average are Rs. 800,00,000 and Rs. 50,00,000 respectively. Then, calculating, the Provident Fund at the rate of an anna in the rupee, the amount is also Rs. 50,00,000, if we presume that the number of employees is constant throughout, which is far from being the case. Since the number is bound to fall by deaths during the period of service, the cost of the Provident Fund System will be less. Such being the case, we may hold that the Provident Fund System is economical to the Government. But in the absence of figures I am compelled to adopt a much less accurate and direct method.

Let us take the following five cases, which are probably typical, and find out the amounts of Government contribution Provident Fund in these cases at the rate of one anna per rupee per month during 30 years service.

(1) Rs. 500-50-1950. The amount of Government contribution is annas  $6000+6600+7200+\dots$  to 30 terms = annas 441,000 = Rs. 27,562-8.

(2) Rs. 250-25-975. The amount of Government contribution is annas  $3000+3300+3600+\dots$  to 30 terms = annas 220,500 = Rs. 13,781-4.

(3) Rs. 100-10-29c. The amount of Government contribution is annas  $1200+1320+1440+\dots$  to 30 terms = annas 88,200 = Rs. 5,512-8.

(4) Rs. 25-5-170. The amount of Government contribution is annas  $3000+360+420+\dots$  to 30 terms = annas 35,100 = Rs. 2,193-12.

(5) Rs. 25-50. The amount of Government contribution is roughly  $\text{Rs. } 75/2 \times 12/16 \times 30 = \text{Rs. } \frac{3^{75}}{4} = \text{Rs. } 843/12$  or Rs. 850/- approximately.

We have next to see what period of pension the above amounts will cover in each case assuming that the pension is half the retiring pay at 55. In the first three cases it is 2 years and 4 months, in the 4th, 2 years and 2 months, and in the last 2 years and 10 months. The worst case in this respect is, when the pay does not increase at all, and in this case the period is  $3\frac{3}{4}$  years. This last case is most probably to be met with nowhere. Still, we may take 3 years to be the average period for our purpose, and we may put down our result in this form: "In all cases, on an average, the amount required to be contributed by the Government towards the Provident Fund during the full term of 30 years' service will cover three years of the pension period". This means that 5 years' contribution is  $\frac{1}{2}$  year's pension amount.

Let us now take 1,000 employees beginning Government service at the age of 25, all at the same time. We have to ascertain the number of survivals at the respective ages.

The reported death rate for males above 25 years per thousand in the U. P. in the decades 1901-1910 and 1911-1920 is as follows:—



Age	Average of decade 1901-1911 per 1000.	Average of decade 1911-1920 per 1000.	Average for the two decade
25-30	17.7	21.4	19.5
30-40	19.0	24.5	21.7
40-50	29.6	32.3	30.9
50-60	50.7	49.8	45.2
60 & over	86.9	87.1	87.0

Making use of the above averages, we get the total numbers of deaths, and survivals, as shown in the table below. In column 4 are given averages for the period, and these are to be preferable to those of column 5 for the sake of accuracy.

Ages	No. of persons living at the beginning of each period	Average death rate	No. likely to die during the period	No. likely to survive the period	Average of survivals for the period
25-30	1000	19.5	$19.5 \times 5 = 97$	903	952 i.e., $\left(\frac{1000+903}{2}\right)$
30-40	903	21.7	$\frac{903}{1000} \times 21.7 \times 10 = 195$	708	805 i.e., $\left(\frac{903+708}{2}\right)$
40-50	708	30.9	$\frac{708}{1000} \times 30.9 \times 10 = 217$	491	599
50-55	491	45.2	110	381	435
55-60	381		85	296	338
60-65	296	87.0	130	166	231
65-70	166		74	92	129
70-75	92		39	53	72
75-80	53		22	31	41

Although a few people are likely to live even beyond 80, yet it is better not to reckon beyond that age.

Taking the amount of one year's pension of one individual as the unit, we get the following number of units for pensions (the retiring age being 55).

For 336 people between 55-60 the No. of units is $338 \times 5 = 1690$			
231	„	60-65	„ $231 \times 5 = 1155$
129	„	65-70	„ $129 \times 5 = 645$
72	„	70-75	„ $72 \times 5 = 360$
41	„	75-80	„ $41 \times 5 = 205$
Total No. of units is			4055

So the total number of units for pension in respect of all the 1,000 persons, who began service at the same time and at the age of 25, is 4055.

Now we should find out the number of similar units for Provident Fund, and these are given by the following calculation on the assumption that five years Government Contribution to the Provident Fund is equal to  $\frac{1}{2}$  year's pension amount:—

For 952 people between 25-30 the No. of units is $952 \times \frac{1}{2} = 476$			
805	„	30-40	„ „ $805 \times 1 = 805$
599	„	40-50	„ „ $599 \times 1 = 599$
435	„	50-55	„ „ $435 \times \frac{1}{2} = 218$
Total No. of units is			2097

We see from the figures that the Government is required to contribute much less under the Provident Fund System than it has to spend under Pensions. Even making an allowance for a higher death rate, which seems to be very unlikely, in view of the improvements, that are being effected in sanitation, we can safely hold that the Provident Fund System is not more costly to the Government than the Pension System, if not less. At the same time the employee's contributions will place in the hands of the Government a considerable amount of money, with which many profitable schemes, which are being put off year after year for want of money, can be launched quite easily, without recourse to further borrowing. Thus far, we have considered the problem from the side of the Government, and have been able to establish that it will not impose any financial burden, if a change be suggested.

We will now deal with the problem from the side of the employee. The pension system promises a provision for the old age no doubt, but is purely individualistic, and does not make any provision for the family, which is not a negligible circumstance in this country, for the moment the employee dies, the pension is stopped. Nor does it encourage a spirit of saving by demanding any compulsory contribution of the employee. A Provident Fund has been started by the Government also, but if fails to secure this, since it is only voluntary and the telescopic faculty being very defective, people fail to provide for emergencies. Above all, the relief is too uncertain, for the poor employee may pass away just about the time of his retirement. I personally know of several such unfortunate employees who passed away only a week before retirement. The disappointment that these caused to their families was naturally very great. Such pitiable cases are not too few to escape notice, but deserve serious consideration. On the other hand, there may be some more fortunate ones, who may draw the pension for as much as 20 years. But the amount of uncertainty is equally great in both the extreme cases.

The Provident Fund System demands a compulsory saving of the employee in the form of a fixed contribution, and this together with the employer's contribution, forms a good provision for the old age of the individual, as well as for his family. Also there is everything certain about it and the employee knows that he will get all what is due to him, when he retires from service. Even, if he be dismissed from service for some grave offence, he is paid his own contribution, and he can well teach his similarly unfortunate brother in Government service the lesson, which the honey bees taught to the mosquito, who had not cared to provide for a rainy day.

Also loans can be obtained on the security of the Provident Fund, and these afford a great relief on occasions. Just when writing this, there has come to my knowledge the case of a clerk, who is about, 47 years of age and is getting Rs. 50 p. m. He is badly in debt and has consequently been formally informed that, unless he clears up his debts, he will not be allowed to continue in service. On the very face of it, he must lose the means of subsistence too, for if

he could find money, where was the need of borrowing? The Provident Fund System could have offered an escape from this drastic punishment. Loans for marriages, and for certain other urgent and important needs too can be obtained, but this is not so under the Pension System, except only for house building in which case an advance can be had from the Government. #

Once again we come to the same conclusion—the Provident Fund System is preferable to the Pension System from the employee's point of view also, for the former promises certain relief, while the latter is shrouded in uncertainty.

Very recently the Government has allowed the commutation of a part of the pension at the time of retirement under certain conditions. This means that the employee can have, say  $\frac{1}{2}$  of his pension allowance, commuted into a consolidated amount which he will get at once, and draw  $\frac{1}{2}$  of his pension allowance so long as he lives. This considered along with the Provident Fund System means that an employee can, at the time of retirement, have his Provident Fund amount, consolidated pension amount at once, and  $\frac{1}{2}$  the pension allowance as long as he lives. Thus, he gets a lump sum at his retirement, and this may be argued to be in no way different from what it would be under the Provident Fund System as suggested, and over and above this there is  $\frac{1}{2}$  pension allowance due to the employee. The argument is quite sound, except for one fault that the amount due to the employee under the Provident Fund System will be greater than the above two combined. Notwithstanding, it does not meet the initial objection—that the Pension System is uncertain and may not benefit one man at all, while it may do so to a great extent in the case of another.

Therefore we make bold to say that the Pension System should be displaced by the Provident Fund System, for the latter ensures an equitable distribution of the benefit, whereas the former fails totally in this respect, since it benefits those most who live to a long age and not at all those, who die before retirement. Again, one simple and effective system is preferable to numerous ineffective and complicated systems

The question, in my humble opinion, is one which deserves consideration, and even if the facts do not turn out to be so favour-

able to the institution of the Provident Fund as proved here, i. e., if the amount spent on Pensions is less than what it is likely to be under the Provident Fund System, equitable distribution of benefit and the facilities of the employees alone are sufficiently strong grounds for demanding the change of the System.

Although the Lee Commission did not take up the subject, it did throw a hint in this direction under (XLVII) para 76 as follows:—

“The advisability of substituting Provident Funds for pensions for future recruits should be carefully considered. If the change is feasible, and acceptable to the Services, it should be made without delay. The application of such a scheme to present members of the Services should also receive expert examination.”

Probably, the old Pension Rules are under revision, and certain alterations in them are contemplated. If it is so, the question should be given due consideration, and even if this Paper will, to any extent, incline the Government to provide for a more equitable distribution of the benefit, and for the needs of the people, I shall deem my labour amply repaid.

# HAND SPINNING

*With Special Reference to Madras Presidency*

BY

N. G. RANGA,

*Nidubrohi, Guntur District.*

"My enquiries have led to the discovery that thousands of cultivators make no more than Rs. 7. to 8 per month during the year. An addition of Rs. 2 out of spinning done only by the family members is a substantial relief for these poor cultivators." Mahatma Gandhi in "Young India."

In 1891 there were 133,000 persons engaged in hand spinning and by 1901 there were only 81,000 spinners. In 1921 census they are said to number 50,000. This was probably an under-estimate. After 1921 the non-co-operation movement resulted in a considerable increase of the number of spinning wheels. The Congress party's estimate came to 150,000. The number has diminished again, but there must be at least 100,000 *charkas* and about 75,000 people engaged in this industry. The problem of hand spinning has become very prominent in the economic discussions of the country. The Madras Legislative Council had a full dress debate on the necessity of introducing *charkas* into every home on 15 December, 1921. The Cochin State decided in December, 1925 to introduce the spinning wheel into every school.<sup>1</sup> Many municipalities like those of Guntur and Tirupati have introduced the *charka* into all their schools.

My enquiries into the economic conditions of the ryots of the Guntur District show that the ryots are employed only for six months in the year and similar conditions prevail throughout the Presidency. These periods of inactivity are usually spent in idleness, which breeds many social evils. Where a ryot pursues a craft which employs him and his wife at such times the proceeds of that craft are a saving from waste.

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1. Most of the information given here was originally collected in the latter part of 1925. This report is a part of the Thesis Submitted to the Oxford University on "Economics of the cotton Mill Industry of the Madras Presidency." I would advise the readers to read my paper on "Agricultural Industries" Published in Indian Journal of Economics April, 1927.

Many subsidiary industries have been suggested from time to time such as the growing of garden crops, the manufacture of baskets and sericulture, but of all the things suggested hand loom weaving and hand spinning have always occupied the most important place. People like Mr. Edye<sup>1</sup> of the United Provinces and Mr. Tallant<sup>2</sup> of Bihar and Orissa prefer to introduce hand-looms into the ryots' cottages and the Department of Industries of the Bombay Presidency has taken the same view.<sup>3</sup> "The experiment of training the agriculturists in hand-weaving in the Bombay presidency as a spare time occupation was continued at Hoshalli in the Dharwar district. Accommodation was provided in the school for eight agriculturists at a time and as a result six of the first batch took up hand-weaving seriously by purchasing fly-shuttle looms and the others have announced their intention of doing so." Though it may be possible to introduce hand looms into the ryots' cottages, there are serious difficulties in the way of any wide extension of weaving by ryots.

Mahatma Gandhi comments upon such attempts in these terms :—"A little knowledge of the agricultural life will demonstrate the impossibility of such introduction. Hand-weaving is a long process, requiring sustained labour and in itself demanding several processes at which more than one person is required to work at one and the same time. This is not possible in a peasant's cottage. Hence from time immemorial hand-weaving has been a separate occupation and an independent and sole means of livelihood. A peasant requires an auxiliary occupation which he can take up or leave at will. Such an occupation for the millions is only hand-spinning. There are no doubt other such occupations for utilising odd moments. But no other than hand-spinning will be found to serve millions of men and women." If this opinion be correct, as I believe it is, we are left with only hand-spinning, and there is no doubt that it can give additional employment to the under employed millions of people in India, who are estimated at about a hundred millions<sup>4</sup>, many of whom

1. The 1921 Census Report of India Vol. I., p. 271.

2. Ibid p. 270.

3. Some of the students of the Vernacular Agricultural School in Dharwar district have taken to hand-loom weaving. See. Rural India June, 1927.

4. This is Mr. Radhakamal Mukerji's estimate, and also Mr. Gandhi's. It is supported by numerous statements made by various enquirers with regard to particular districts, e.g., Slater, "Some South Indian Villeges," p. 243. Calvert "Wealth and Welfare of the Punjab."

are half-starved. If we can prove that it pays the workers to bespinners as well as when they are engaged in some other employment then we shall have no objection to the introduction of the *charka* into the ryots' cottages.

There are many thousands of women workers in the Godavari district who are employed in thrashing the cocoanut shells and in separating the fibre from the shell. It is a very arduous work and a woman is paid only one anna a day of 10 hours. The women in weavers' families are earning only one anna each per day as we shall see later on. Women workers who sort tobacco and remove its stem get only two annas each per day of 11 hours in Guntur<sup>1</sup>. Most of the hand-spinners earn as much as these workers of Guntur.

I have seen in my tour throughout the Telugu districts<sup>2</sup> many thousands of people who wear *Khaddar i. e.*, cloth which is hand-woven and whose yarn is hand spun, not because it has become a political and sentimental article, but because they have been used to nothing else. Most of the ryots in the Ceded districts, Vizagapatam, and Ganjam districts wear very rough cloths and a greater part of their clothing consists of *khaddar*. Their *dhuppatis*<sup>3</sup> in particular are invariably made of hand-spun yarn. What is more interesting is that I was able to find many villages in *taluks* like *Tadpatri* of Cuddapah district, Rayadrug of Bellary district, Ongole of Guntur district, Vizag of Vizagapatam district and Chicacole and Ichchapur of Ganjam district whose people are clothed only in *khaddar* and whose women have been accustomed to spin their own yarn and get it woven by the village weavers.

In spite of the keen competition of the mill-yarn, the women in ryots' families find it worth their while to spin and earn something, otherwise they would not go on spinning at all and they would rather laze away their time than unnecessarily tire themselves at the spinning wheel. Therefore to scoff at the idea of introducing hand-

1. Many workers in Madras are unable to earn more than two annas a day. See "Conditions of Employment and unemployment of labour in Madras" Published in Mysore Economic Journal March, 1927.

2. These comprise the Ceded Districts, the Circars and the Chittoor district. They are otherwise known as Andhra Desa and the people speak Telugu.

3. Cloths worn in winter, covering the whole body and serving as a overcoat and turban. They are about 8 yards long and a yard and a half wide,



spinning and the wheel into many more cottages to relieve the distress due to seasonal unemployment and the consequent under-feeding of the people, is neither statesmanlike nor economically sound.<sup>1</sup>

## THE EARNINGS FROM HAND-SPINNING

### *Illustrations from Dharmavaram*

In and around Dharmavaram, in Anantapur district, spinners are mostly recruited from the Sudras and Muhammadans. Every little girls is as a rule taught how to spin and in this part of the country, all women spin in their spare time at least enough yarn for their own clothes. Because of the Non-co-operation movement, many women have been spinning also to earn something by selling yarn. An average spinner with some ability can spin 21 *tolas* of yarn of 10s in a day of 10 hours and is paid two annas. There are only a few women, each of whom works for 11 to 12 hours a day, who spin 21 *tolas* of yarn of 13s and earn 2½ annas each per day. Most of the women workers find employment in the paddy fields at weeding and harvesting horsegram during February and March and they are paid 2½ annas each for a day of 8 hours.

Women who would like to work on the fields go out rather than work at the spinning wheel. But they take to the wheel more kindly when there is no work at all in the fields. The Muhammadan women are always engaged on the wheel because they are prohibited from going out by the Gosha custom. It was these women and some old women of the Sudras who were working on the wheel, when I visited the place in February, 1926. When asked whether they would not like their young women to go and work in the fields and earn more, many Sudra women quickly replied in the negative, saying that working under one's own roof was far better than working under the scorching sun, though the latter might bring a little more money. This district was subjected to an attack of famine as recently as 1923, and most of the people around Dharmavaram had to go in search of relief work, under Government supervision.

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1. It is encouraging to notice that the Dewan of the Mysore State proposes to develop hand-spinning as a subsidiary industry to relieve the unemployment existing in villages. According to him, the State is going to supply the most scientific *charkas* at cheap rates through its Industrial Department. It is really romantic that H. H. the Maharajah should take to spinning at home. See The Speech of the Dewan before the Mysore Economic Conference. August, 1927.

They were then made to break stones in the hot sun for nine hours a day, and they were paid only  $1\frac{3}{4}$  annas each per day at the test works. Some people who have had that experience said that they were far better off working for 11 hours and earning only  $1\frac{3}{4}$  annas a day at hand-spinning than they were under the "Famine Relief" work ; which is no doubt true.

Mrs. Tayamma of Adoni stated that she used to work for about 7 hours a day on the wheel and her daughter-in-law for  $2\frac{1}{2}$  hours and they both used to get annas 4 to  $5\frac{1}{2}$  a day. She deplored the loss of her employment, owing to the failure of the local Congress to give her work, and she said she was finding it difficult to get on. But Mr. K. Narasinga Rao of the Congress explained that the Congress failed to carry on this work because it sustained a loss, due to higher wages being paid for spinning than were justified by the profits of the industry. There used to be 60 spinners in Adoni, but unfortunately they are all unemployed at present.

Nagalapuram in the Kurnool district is a famous centre for hand-spinning, and Mr. Punnayya was good enough to give me the following information about the Congress work there on spinning. The work was first started as famine relief work in 1922 by Mr. Punnayya with the help of Mr. K. Nageswararao one of the leaders of the Andhras when famine devastated the whole of the Kurnool district. They were at first able to pay 2 annas a spinner for a day of 10 hours and consequently many women flocked to their place for work. This employment was more popular and better paying than the Government Famine Relief Work.

Fortunately the Non-co-operation Movement was still at its height in 1922 and Mr. Punnayya was able to pay as much as 3 annas a day of 8 hrs for spinners who could produce 21 *tolas*<sup>1</sup> of yarn of 10s and 20s. Indeed the spinners were so anxious to earn as much as they could to maintain themselves independently that they were able to spin 21 *tolas* of yarn in a day and could thus earn  $2\frac{1}{2}$  annas a day as against  $1\frac{3}{4}$  annas at the Famine Relief Works. There are only a few whole time workers, but most of the workers take it as a subsidiary employment and work for 4 to 5 hours a day and earn one anna day which is sufficient to meet all their sundry expenditure. Muham-

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1. A *tolá* is the weight of a rupee, about 1/20 lb.

madans and Sudras are more enthusiastic about spinning than *Brahmin* ladies who have been used to a lazy life.

Tadpatri of the Cuddapah District is another very important centre in the Ceded Districts for hand-spinning. A "Hand-spinning and *khaddar* company" was established under the auspices of the Congress and it once had 3,000 spinners in its employ. Each of its full-time spinners could on the average work for only 8 hours a day and was able to earn 3 annas in that short time, because he had been employed on this work for the last 2 years and so is more skilled.

The following rates of payment were adopted by the company:—

Kind of yarn.	Rate of payment per 1 lb.
	annas.
20s	10
16s	8
14s	3½
12s	3

Mr. Hanumantarao, L. T. M. who was once the Assistant Weaving Master of the Madras Department of Industries and who was the Manager of this hand-spinning company when I visited it in 1926, says that an average spinner of his firm can produce half a pound of yarn of 16s in a day of 6 hours and earns thus 4 annas a day.

In Vyyalavada of the Koilkuntla Taluk there is at least one spinning wheel for every house and the weavers of that village are mainly dependent upon this handspun yarn. Chimalavagupalli is another village which is similarly supplied with home-made *khaddar*. The members of the Gandhi spinning club of Tirupati in Chittoor district say that their maximum output per hour is 450 yds. of 10s. Each of their three skilled spinners can spin 250 yds. of 20s per hour. The best spinner among women has spun 350 yds. of 15s per hour. Another woman has spun 130 *tolas* of below 10s in six days and earned Rs. 1¼ or 3½ annas a day. Now she is spinning 12s and produces 65 *tolas* of yarn in 6 days and earns only Rs. 1¼ because she cannot maintain the same speed of work on higher counts. Professional spinners spin 2,000 yds in a day of 5½ hours of 10s and 12s. If they are able to spin finer counts it saves cotton and it brings them better wages. A sweet-seller who spins now and then to utilise her spare time was earning Rs. 1¼ in 6 days

in March 1925. Kammas, Reddis, and Panchamas are very enthusiastic about spinning and they spin because of monetary inducement.

The average count of Gandhi Reading Room is between 20s and 40s. I had seen these people at work when I visited Tirupati and I found that they never worked for more than four hours a day. They are all well educated people and go to these two clubs to enjoy the club life and to spin. They are all good spinners as they have been spinning for more than two years. The Municipal Chairman spins every day at the club and thus sets a good example to the citizens.

In Govada, a village in Guntur district, there are 80 wheels and every weaver has been earning on the average annas  $1\frac{1}{2}$  a day. As these spinners do not work for more than six days in a week they earn altogether Rs. 45 a week or Rs. 2,340 a year. Each spinner earns about Rs. 30 per year and this sum is sufficient to furnish a middle class family with clothing. Mr. Narahari B. Sc. (Agr.) St. Andrews has successfully induced many people of Thurumella to take to hand-spinning and make some money out of it.

Ellore has the "Gandhi *khaddar* stores", and the District Congress Committee engage several scores of spinners to supply them with yarn. These spinners are recruited from the Kammas, Brahmans and Sudras of the neighbouring villages. Each of them is able to earn about two annas per day.

#### *East Godavari District.*

Mr. Gosula Paddayya of Ramakrishnapuram in the Peddapur Taluk of East Godavari district is a ryot and says he needs Rs. 74 worth of clothes for himself, his son, and two women. He produces his own cotton and his women spin all the yarn he needs and even more. Thus, they were able to earn as much as Rs. 40 in 1925. This, he says is a very good addition to his scanty earnings. Five seers of cotton is bought for Rs. 2-8-0 and so much yarn is again sold for Rs. 3, thus leaving annas 8 for the spinner. The women in addition to performing their house-hold work, are able to spin at least 5 seers in every 10 days or 15 seers a month, thus earning Rs.  $1\frac{1}{2}$  or Rs. 18 a year, and that sum is enough to provide a husband and wife with clothing. Congressmen went and started the spinning wheels in this village in the beginning and though they have no

branches there now, the industry is still going strong. Apparently it has come to stay. According to Mr. Paddayya, there are 300 wheels in his village, 200 in Rachapalem, 350 in Eraram, 200 in Gopalapatnam, 300 in Chillangi and 500 in Killampudi. In all these places, it is the women who are the spinners.

In Ichchapur Mrs. Bandaru Rattamma spins 8 seers of yarn in a month and earns Rs. 2½. She has no other work. She is paid one anna more per seer of yarn of 20s than other workers because her yarn is considered to be good. Thus she is able to earn annas 1½ per day of 6 hours. Almost all the women among the weavers can spin. At one time they used to spin for their *Dhup-patis* in anticipation of winter. Now they are spinning at all periods of the year, as there is a great demand for yarn.

*Salem District.*

More interesting facts are published in the "Young India" of August 13, 1925. Salem district is one of the poorest in the presidency and is subject to frequent attacks of famine. For the last five years, there has been a scarcity of water and the ryots have been suffering from failures of crops. "Drought has compelled many a family to keep out of the village and even abandon cultivation for some kind of cooly or other occupations. In most of the wells, water has dried up and it is likely that if the rains fail even this year as they threaten to do, there will be great hardship even in getting sufficient supplies of drinking water." <sup>1</sup>

In such a region the successful revival of the *khaddar* industry has come as a real blessing to hundreds of homes. The villages investigated by Mr. Varadachari are Uppupalayam Sembampalayam, Chittalandur, Pulianpatti and Pudupalayam.

	1	2	3	4
	No. of wheels at work.	Earnings from the <i>charka</i> .	Other earnings of spinning families.	Percentage of 2 & 3
Uppupalayam	25	Rs. 660	Rs. 3,360	15%
Sembampalayam	29	450	3,065	15%
Pulianpatti	20	346	2,650	14%
Chittalandur	25	375	2,150	17½%
Pudupalayam	25	336	2,398	17½%

1. Young India: Aug. 13, 1925.

The amounts of money needed to clothe the whole population of each of these villages are given below :—

	Total Clothes Budget. Rupees.	Average per head
Uppulalayam	920	2 4 0
Sembanpalayam	400	2 12 0
Chittalandur	2,076	2 0 0
Pulianpatti	732	2 12 0
Pudupalayam	2,440	4 0 0

The earnings from spinning averages about 15 Rs. per person per year and the working of a single wheel has enabled the families concerned to cover their total annual expenses for clothes. The earnings of Sembampalayam from *Charka* have covered the total clothes budget of the whole village, spinners and non-spinners combined together.

The following are some instances of individual spinners given by Mr. Varadachari.

	Land & other income.	By spinning.	Proportion of 3 to 2.
	2	3	4
Chittalandur			
A. 2 adults	Rs. 60	Rs. 20	33 1/3%
B. 1 adult	40	24	60%
C. One old woman	30	20	66 2/3%
D. 3 adults & 2 children	90	20	22 2/9%
Pulianpatti.			
E. Old woman & child	30	20	66 2/3%
F. 2 adults	90	20	22 2/9%
G. 1 woman Cooly	60	13½	22½%
H. 1 old woman getting food from others..		20	..
Vuppupalayam			
J. 4 adults	90	45	2 wheels 50%
K. 7 adults	240	45	" 18½%
L. 1 woman	No separate income.	30	1 "

Mr. Varadachari may well say "These figures are eloquent by

themselves. In every big area of *Khadi* work, throughout the country there must be hundreds of such instances. Laying aside for a moment all other aspects political and economic of *Khadi*, and viewing it strictly from the *humanitarian* standpoint, one must be able to measure the value of spinning as an effective form of poor relief which helps poor without degrading and pauperising them."

But it should also be examined from an economic point of view. Taking for instance the case of "G", a woman cooly, she could not earn as much as Rs. 60 a year if she gave all her time to spinning only. But it has paid her to take spinning as a subsidiary employment; and by combining spinning with cooly work she is earning 73½ Rs. per annum.

The case of "H" an old woman, who is living upon charity, shows that she can earn 20 Rs. through the spinning wheel which she could never have earned had she been idle or had she been employed in some other work which is more arduous. From these figures, we see that between 18% to 66% of the total income of the people recorded is due to spinning. If the spinning wheel had not been introduced into their cottages they could not have made this addition to their agricultural incomes. They have now put to some use their spare time which otherwise will have been spent in idleness.

### *The organisation of this Industry*

Mr. Subramanyam, the organiser of the "Nagalapuram Khaddar Relief Works", when asked how he would organise centres for introducing the spinning wheel into new places, said "We will start centres just on the lines of Nagalapuram. We store the cotton, and get the slivers prepared, thus providing work to the carder. We organise the market with a 10 miles radius and try to sell our slivers and get yarn in return for the slivers sold: so that there would not be any danger of shortage of yarn or the fear of losing the slivers at the hands of the spinners. In the same centre we shall organise a weaving branch also. The Congress Committees will buy the cloth from us; will pay the freight and charge just 6¼% more to the consumers, so that the maintenance charges can be met from the business itself. Out of this margin, the provincial Congress Committee may be able to give 2% to the hawkers who go about

the villages to encourage people either to spin or to buy khaddar." The cotton goods prepared in these works are sold by all the Congress organisations, which do the necessary advertising. These goods are exported to all parts of Andhra country, Gujarat, and to the Tamil country. The Secretary of this organisation is paid only Rs. 30 a month, while the two clerks are paid Rs. 7 and 10, respectively.

The Tadpatri Hand Spinning and Weaving Mill Co., is managed by Mr. Hanumanta Rao, and has not been able to make any profit last year. People from all parts of the Andhra Desha have subscribed to its capital and it is supplied with sufficient funds. During the last year, the factory was deceived by spinners, who used rough yarn in the centre of the hanks and fine yarn on the top. Mr. Hanumanta Rao says: "Now we have got the 'Hanks Testing Machine' prepared by me after the local method, with whose aid we can detect any of this mischief." And so, the Manager hopes to realise a profit this year. During 1924, the spinners were beginners and so could produce only rough yarn of below 10s. and more cotton was used in preparing a certain amount of yarn. But this year, he says, his spinners are able to give him yarn of greater counts, practically at the same rates of wages; while at the same time less cotton is consumed for every pound of yarn than was usual last year. So he thinks that prospects are brighter. The Congress organisations are the best advertising and selling agencies for this centre. Large consignments of cloths are monthly exported to Bombay from Tadpathri.<sup>1</sup>

Certain Municipalities like that of Tirupati and certain Co-operative Banks are opening "Khaddar Stores." Khaddar Exhibitions are held everywhere.<sup>2</sup> Individual Congressmen are doing a good deal of work in popularising khaddar in the villages. Those who are under the impression that because the non-co-operation movement has completely collapsed, the khaddar movement will also go out of existence are probably mistaken. Though one must admit that khadi movement has also suffered a great deal from the reaction that set in after the failure of the N. C. O. movement.

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<sup>1</sup> The Khaddar Exhibition held in Bangalore in 1927, summer was great success.

<sup>2</sup> The company failed subsequently.



It is admitted by the enthusiasts of the Khadi Movement, that the price of khaddar is higher than that of either the Mill-made cloth or the cloth manufactured by the handloom weavers with mill-yarn. Much can be done by organising the industry, even more thoroughly than it is at present, and by inducing many more women in the ryots' cottages, to shake off their lethargy and take to spinning, provided they will be satisfied with lower rates of remuneration. If central weaving factories are established in which well trained weavers are made to work on khaddar, the weaving charges which are at present higher than those for mill-yarn can be considerably reduced and thus the price of Khaddar can be reduced so as to compare more favourably with that of the mill-cloth. At present, khaddar organisations such as those at Ichchapur, Tadpatri, Nagalapur are helped to some extent by the Andhra Provincial Congress Committee, the All-India Congress Committee, and the Khaddar Boards of India and Andhra Desh, by timely loans on very low rates of interest.<sup>3</sup>

### *The Future of Hand Spinning*

To think of making "Hand Ginning and Spinning" as one of the prominent industries of the country as hand-weaving is, will be economically unsound. For whereas the hand-loom weavers have to compete only with the weaving mills; Khaddar has to compete with both spinning and weaving mills, and it is quite a hopeless task. To sell Khaddar at the same prices as the mill made cloth is impossible, unless the wages paid to the ginners, cleaners, spinners and weavers are even much lower than at present, when it may not be worth while for the spinners and others to spend their time upon this work at all.

It is possible to argue that Khaddar can be and needs to be merely an auxiliary employment in the country to supplement the earnings of the ryots and the facts given in this chapter testify to that effect. It is also one of the chief industries which can be used to relieve the distress due to unemployment. If the State recognises the right of every worker, "who is able to work, willing to work and unable to find work," to live and work, as it has done in England, then it would be worth while for the State to employ some of the workers

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<sup>3</sup> The All-India Spinners' Association has replaced the Khaddar Board.

on something rather than keep them idle and maintain them at its cost. Hand Spinning is the only prominent industry which can be organised on a national scale, and which can give employment to millions, and yet whose products can really find a market, provided the same prices as those of mill-made cotton are charged. In that case, the Government would have to subsidise this industry; but it would pay considerably less than what it would have to pay on unemployment relief, if no work could be found for the unemployed.<sup>4</sup>

We need not fear that khaddar will not be sold at all, for after all the country that is affected by railways and foreign imports is smaller than that which is yet uninfluenced by these things and it will be some generations before all the country adopts finer kinds of clothes, since khaddar is more durable than the mill cloth and is more suitable to the needs of the peasantry and is therefore better liked by them.

The greatest achievement of the khaddar movement is that it has shown to the public and the Government that it is necessary to take urgent and effective steps to minimise the periods of unemployment. It has also demonstrated the economic potentialities of the spinning wheel and has provided a new means of relief for the famine-stricken areas. It is due to this movement that the Madras Ministry, the Mysore Government and the Bengal Government have accepted the Charka as one of the very effective means for relieving the unemployed.

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<sup>4</sup> It is interesting to notice that the Special Officer appointed by the Madras Government to investigate into 'Home Industries' has suggested in his preliminary report published in August, 1927, that Government should give subsidies to organisations which undertake the production of Khaddar; that Co-operative Department should help such organisations in financing and marketing khaddar and that experiment should be made by the Textiles Department on the possibilities for improving the charaka; and on the methods of standardizing yarn and the cultivation of suitable cotton.

# THE INDIAN MAHAJAN

BY

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Money-lending is such a simple operation which every individual is familiar with, while it is a social practice as hoary as to take us back to primeval days of civilisation, and so universal that no country in the world is ever exempt from it. I propose here to attempt a sketch of the origin and the functions of the money-lender in India, discuss his position in the present day national economy, examine whether the existence of usury is inevitable, suggest certain constructive methods to eradicate *mahajany* as such at the same time bringing into comparison cognate practices in the west. Throughout it should be remembered that the title of the present article is simply typical, and not in any way confined to that denomination of money-lenders that goes under the appellation of the *Mahajany* class.

As it has been adverted to above, money-lending is such an ancient practice that even the earliest law-giver of India recognised the existence of a class of individuals which is to monopolise the practice of money-lending at interest (<sup>1</sup>). Manu does not stop at the mere recognition of the class of money-lenders, but explicitly authorises the Vaisya to "lend at interest", while in the social superstructure of the caste-system no other component part, be it a pure-caste, a sub-caste or mixed caste is capable of claiming his privileges. The present day *Mahajan* or *Bania* is only a shattered *replica* that survived the general process of degeneracy, by amalgamation and intermarriage with other castes, of the Vaisya of Manu's time. While at present the *Mahajan* is not a Caste, but simply represents a Class of money-lenders, since any person that can jingle a few coins in his purse is a creditor capable of attracting to his

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(1). LAWS OF MANU : Ch. I. v. 90. "To keep herds of cattle, to bestow largesses, to carifice, to read the scripture, TO LEND AT INTEREST, and to cultivate are prescribed or permitted to a Vaisya".

In preference to George Buhler's, I have given Sir William Jones's translation for the sake of clearness.

door a host of disconsolate persons who beg for accommodation <sup>(1)</sup>.

But at the same time it should be borne in mind, that in spite of Manu's injunction, the spiritual genius of India branded all wealth as an evil, while people are exhorted often and again by the prominent seers of Bharatavarsha not to entangle themselves in pecuniary trammels, but practice the virtues of moderation, abstinence and poverty <sup>(2)</sup>. But there is a regular combat between the exalted and the lower tendencies of human society regarding the practice of money-lending. In this manner, the natural economic and selfish motives of man to lend money at interest, often at usurious interest are directly counteracted against by the religious and moral laws which constantly try to reduce to the minimum the iniquities of usury.

Money-lending is an ever-present universal phenomenon, and consequently the *Mahajan*, typical of the money-lender's class, remained always the indispensable counterpart of the agricultural population and their constant and expensive exploitation of the natur-

(1). C. f. Grote : *history of greece*. Vol. iii. p. 144. The economic state of Greece as described by Grote finds its parallel in the general economic structure of India. He says : "It is worthy of remark that the first borrowers must have been for the most part men driven to this necessity by *pressure of want* and contracting debt as a *desperate recourse* without any fair prospect of ability to pay : debt and famine run together in the mind of the poet Hesiod. The borrower is in this unhappy state rather a distressed man soliciting aid than a solvent man capable of making and fulfilling a contract and if he cannot find a friend to make a free gift to him in the former character he would not under the latter character obtain a loan from a stranger except by the promise of exorbitant interest and by the fullest ventual power over his person which he is in a position to grant" How literally is the truth of the statement visualised in most of the law suits that come up before the local courts for adjudication !

The italics in the above passage are my own.

(2). This is the path of the UPANISHADS. This is the KAINKARYA or surrendering of the BHAKTI cult. This spirit is best expressed by Asoka, the royal apologist and apostle of Buddhism. After an enumeration of the duties performed by his DHARMA officers, the YUKTAS, the RAJJUKAS, and the PARIDESIKAS in guiding men to tread the path of DHARMA, ASOKA bursts forth with a thrill of self-fulfilment : "Meritorious is small expense and small accumulation". ROCK EDICT III in ASOKA : Carmichael Lectures by Dr. D. R. Bhandarkar (1925), P. 278. Speaking of the resources of the state, Kautilya casts some doubts about the desirability of wealth, and mentions "six varieties of harmful wealth" of which special mention is made of "wealth productive of wealth" ARDHASASTRA. BK. IX. Ch. vii. Translation by Dr. R. Shamasastri. 2nd. Edn. (1923). P. 414 ff. Again Manu condemns usury as an *Upapataka* for which expiation is absolutely necessary. Ch. XI. v. 60.

Even in the west usury was branded as an evil. The canons of the Bible are against usury. Moses *ordinances* : "Thou shalt not lend upon usury to thy brother ; usury of money, usury of victuals, usury of anything that is lent upon usury." DEUTERONOMY. XXIII. 19. But later on (verse 20), he relaxes the rule in case of strangers, presumably meaning thereby people be-

al resources of the soil, ever since the Aryan set his foot on the bounteous tracts watered by the Five Rivers. He occupies at present a unique place in India's rural economy, inasmuch as he supplies the initial expenses contingent to the tillage of the soil and affords a temporary yet potent cover to the needy in cases of expensive feasts and ceremonies characteristic of India's teeming millions who are labouring under the influence of Brahmanistic ritual.

Early Hindu literature does not fail to mention the position of the *Mahajany* class in the social structure of the Aryan community. Instances are not wanting as regards the recognised position of the *Mahajan* in rural economy, and we hear, as early as the early centuries of the Christian era, of the federation of individual merchants into guilds to regulate business and trade, to settle disputes in which individuals and corporations are implicated, while they issued credit instruments, regulated existing systems of coinage besides enjoying a well-developed corporate life <sup>(1)</sup>

The history of money-lending operations in India is worth studying if ever a systematic treatment of the same is obtainable in an unified and consolidated forms;—the function of money-lending

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longing to foreign nationalities! The iniquitous effects of usury are best described in NEHEMIAH V. 1-5: "Yet, our flesh is as the flesh of our brethren, our children as their children: and lo! we bring into bondage our sons and our daughters to be servants, for other men have our lands and vineyards." The council of Nicea (A. D. 325) branded usury as immoral. The Jew became scapegoat of derision in the medieval empires of the west. In England Edward I expelled them out of the country root and branch (1290), even though afterwards by the time of Henry VIII, they once again found an asylum in Lombard Street.

Interest is RIBA or usury according to the tenets of the QUR-AN which condemns it wholesale. QUR-AN. ii. 275-280. Regarding the attitude of Islam to usury, see the article of All-Haj Hafiz Ghulam Sarwar in the ISLAMIC REVIEW, Vol. XIII. No. i., pp. 12-29., January 1925, and the subsequent correspondence regarding the same.

(i) "We hear of about eighteen guilds of different trades. Each guild (*puga* or *senia*) was presided over by the alderman or a president (a *jethhaka* or a *pamukha*). These guilds not only attended to business disputes but also attended to disputes between members of the guild and their wives. There was a president-general (*Mahasetthi*) who decided disputes between guilds. The guilds or private individuals issued coinage as well as credit instruments. There were no banking facilities and the custom of hoarding was common". HISTORY OF CASTE IN INDIA by Dr. S. V. Ketkar Vol. I (1909), p. 38. The material is the nett result of the gleanings from Jataka stories by Mrs. Roys Davids. Sukra mentions twice the word SRENIS in the sense of corporations possessing a high degree of organisation with powers of self-adjudication. NITI SARA. IV. V. 59-60 and IV. V. 382. See Prof: Benoy Kumar Sarkar's translation, Edn., 1914, pp. 185 and 200, respectively

plays such an important part in the national economy of India and modulates in a great measure her national well-being. But such a work not being available, we have to rest satisfied with the observation and fact that the Indian *Mahajan* always discharges an unique function, either for the good or otherwise of the country. But a gradual degeneracy of the ideal afforded by Manu's injunction, quoted above, only rendered it contingent that the *Mahajan* should become the scapegoat of universal condemnation in India, and the actual canker eating into the totality of Indian manhood. Whether such a statement stands perfect in equity is the attempt of this article to examine.

Whatever may be the regular history of the practice of money-lending in India in its successive stages, this much is certain that there has been a progressive process of monopoly, squeezing and rapacity on the part of the *Mahajan* to the absolute detriment of the wretched borrower. The writings of the actual eye-witnesses and administrators of India in the early decades of the XIX century throw a flood of light upon the iniquitous and baneful practices of the *Mahajans*, and the truth contained in such observations seems to be applicable to most of the cases in the history of Indian usury, whatever period of national history we may select to refer to. I cannot refrain from quoting some of the observations regarding the class of *Mahajans* by Alexander Fraser Tytler, Assistant Judge of the XXIV Purganas, from his "CONSIDERATIONS ON THE PRESENT POLITICAL STATE OF INDIA", very rare at the present-day, and published in two volumes at London in 1815 (1): "When a ryot comes to set up for himself in a village, the *Mahajan* in many instances lends him one or more bullocks; he advances him rice for seed, and for the subsistence of his family, and often pays his revenue for the first few years. All this he does, if he has never seen the man's face before; but in proportion to the risk he runs, so is the gain" (2). Speaking about the helplessness of the ryots and the absolute dictatorship which the *Mahajan* enjoys through the instrumentality of his mean transactions, Tytler justly observes; "Their *Mahajans* are their only support. . . . but the poor peasant

(1) A set of the above volumes have been made accessible to me through the courtesy of the librarian of my ALMA MATER, Mr. Y. Enoch, of the Noble College, Masulipatam.

(2) LOC CIT. VOL. I, p. 370.

is *always kept in the balance*.<sup>(1)</sup> Were he suffered to gain, he would become independent of the *Mahajan*; therefore *he is merely kept alive*. This system suits his habits of indolence and idleness, and it is difficult to induce him to *rise* above it" <sup>(2)</sup>. "The *Mahajans* are frequently a most oppressive class of men, and ruin the ryots by the exorbitant interests they charge, by their cunning in keeping back their accounts, thus having them in complete ignorance of the state of their affairs, and by many other iniquitous practices" <sup>(3)</sup>.

The illiteracy of the masses of the agricultural population adds fuel to the fire that is devastating economic equilibrium in India. The *Mahajan* is practically immune to exposure or detection in his crafty manipulations, as we shall see later on when we come to treat the nature of interest in money-lending transactions. The wretched debtor consequently becomes a tool in his hands, and ultimately a minion of his. In this manner, landed proprietors become territorial serfs, to borrow a phrase from the mediæval social history of the continent, and ultimately their property, stock, utensils, in short, even the genuine earnings of their labour become escheat in course of time to the *Mahajan's* claims.

This is, indeed, a lurid picture of the darker side of the functions and existence of the Indian *Mahajan*. But, in the main, the observations will be found to be visualised in a careful survey of the economic and monetary conditions of agricultural finance obtaining in India. On the other hand, the question, has been often raised, prominently by Sir Theodore Morison, K. C. S. I. <sup>(4)</sup> Whether the *Mahajan* is such a gross being without any measure of the sense of honour and fair-play in him, but simply a mechanism propelled by a cannibalistic appetite for wealth and money-making?

It cannot be gainsaid that the functions performed by the *Mahajan* justify to some extent his existence as an economic agent of productivity. But it is quite a different thing when we consider the iniquitous practices of a usurious *Mahajan* and the evil effects conse-

\* (1) The italics are mine.

(2) IBID. pp. 109-110.

(3) IBID. p. 373.

(4) Cf. his ECONOMIC TRANSITION IN INDIA. particularly his chapter on "Agricultural Indebtedness". pp. 70-92.

quent on the perversion of the borrowing capacity of an improvident but initially solvent debtor. Whatever may be the undesirabilities of a perverted and iniquitous system of money lending in its baser-plane, the existence of a money-lending agency, may be in the form of a joint-stock bank, a co-operative credit society, an individual money-lender, or, for that matter, any other financing instrument, is absolutely essential for the progress of society in general.

In the first place, all men are not equally wealthy enough to proceed unaided in the activities of their functional life which are normally of a productive kind. Next, there will be generally found under the static conditions of social life a surplus of wealth concentrated in the hands of a few individuals which would be left inert and unproductive unless drafted into the services of other individuals who are less well off than such persons but can at the same time make an useful utilization of the same, for the small premium for which it is lent out. On the other hand, enterprise, one of the prominent characteristics of social progress, must needs be financed. The existences of the money-lending function of a society has always remained and will for ever remain a recognised fact. To ignore its existence is to court social stagnation. To prevent its operation is to end in socialistic troubles of the gravest character.

On the other hand, there is the special case of agricultural finance. As already pointed out, a timely, seasonal and regular financial assistance is absolutely essential for the guarded extraction, of utilities from the natural resources of the soils in purely agricultural countries. Finance is greatly needed by agriculturists in several ways : for the recuperation of the soil by the replenishment of the chemical ingredients and mineral constituents lost to it by cultivation, in the shape of natural or artificial fertilizers failing or neglecting which the fields would get arid and parched ; for the supply of seed, implements and stock to carry on the initial agricultural operations without which cultivation is impossible ; for expenses in the shape of rents, taxes labour costs of production until the crops are finally moved to the market or driven home for domestic consumption ; for meeting the household expenses during the period intervening the sowing and reaping of crops, and for other contingent purposes. Such exigencies as those enumerated



above strongly demand accommodation from a money-lending agency. On the other hand, the prospectivity of the productivity of the purpose for which money is lent to individuals, the premium and the insurance provided in the form of the interest demanded, the security and the assurance supplied by the mortgaged property—all these factors provide the creditors an incentive to lend. In lending money the creditor is mainly concerned with the profit accruing in the shape of interest demanded and paid, while the nature of the security and the risk involved govern the rate of interest which is the central hinge of the money-lending mechanism. I shall return to the subject a little later on.

To exonerate partially the existence of the *Mahajan* in India, a little of judicious examination must be given to his credit. India is pre-eminently an agricultural country. 72·44 per cent of its population claim their support from agriculture. Like in other countries, agriculture presents its co-existent companion of indebtedness. More so is this the case in India. The national dividend is not considerable when compared with that of any other country in the world. Consequently, the per capita income in India is lamentably low,—only three pounds, while the same is higher in western countries; in the United States of America it is £72 where as the per capita income of England is £50 <sup>(1)</sup>. While the average expenses of an Indian amount at least to £4, accepting the statements of the Government of India themselves <sup>(2)</sup>. Thus it will be seen that the discrepancy between the two figures will strike a certain amount of horror into the hearts of judicious inquirers <sup>(3)</sup>. Even here, we are ignoring the contrast supplied by India to other countries in the west. Even here we have to leave a margin for the earnings of the industrial labourer which raises the figure of the per capita income of the actual agricultural labourer in India to a considerable extent. All the phenomena considered, the actual position of the agriculturist will be

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(1). I follow the figures worked out by profs : Wadia and Joshi in their *WEALTH OF INDIA*. (1925), p. 109.

(2). Cf. Mr. Shapurji Saklatwala's speech in the House of commons, December 4, 1925 in moving an amendment to the Indian Civil Services Bill.

(3). I have given these references to show that any estimate of the per capita income and expenditure in India cannot go beyond the two extremes worked out by two different schools of thought as represented by the Bombay professors and Government of India.

patent. Finance is his essential need, and this need is met in a fair degree by the *Mahajan*. But this does not in any way amount to the solution of the iniquitous practices of a usurious *Mahajan*.

However compact ancient Hindu society may have been, however conventional and mostly efficacious usages and social customs were the necessity for moderation in, and regulation of monetary transactions has been greatly appreciated in India. Manu,—in his fundamental code of human ethics, has a host of injunctions regarding the practice of money-lending. He ordains that the rates of interest sanctioned by Vasistha which is 15 per cent. per annum is just <sup>(1)</sup>. But 24 per cent. per annum is optional and reasonable but never sinful <sup>(2)</sup>. Stipulated interest beyond the legal rate is not recoverable; the lender in any case is not entitled to more than 60 per cent <sup>(3)</sup>. In the case of monetary transactions, interest paid in one instalment shall never exceed the double of the principal; while if paid in commodities and in kind, not more than three times the principal is the maximum limit <sup>(4)</sup>. Recission and renewal of contracts are admissible when desirable <sup>(5)</sup>, while in case of pledges no interest is chargeable and the pledgee cannot withhold the pledge from the pledger when the latter proposes to repay the debt and demands its return <sup>(6)</sup>. In all cases equity shall be given prominence <sup>(7)</sup>, and Manu disposes off the subject by adding: "Let him not take interest beyond the year, nor such as is unapproved, nor compound interest, periodical interest, stipulated interest, and corporal interest". <sup>(8)</sup>.

It will be seen that the injunctions of Manu are practically exhaustive and meet in an effective manner the needs of social legislation, as regards the regulation of the practices of money-lending in India of the past. The potency of such injunctions need not be

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(1). LAWS OF MANU. (S. B. E. Vol. XXV.) VIII. 140. Cf. VASISTHA DHARMA SASTRA. III. 51: five *mashas* (may be taken) for twenty (*Karshapanas*)", per month, a *karshapana* being the equivalent of 20 *panas*.

(2). LAWS OF MANU. VIII. 141.

(3). IBID. 152.

(4). IBID. 151.

(5). IBID. 154, 155.

(6). IBID. 143.

(7). IBID. 157.

(8). IBID. 153.

greatly discounted in a country notorious for rigidity of customs, traditions and practices, while the words of Manu, deemed as sacrosanct, produce a wholesome effect for good on the part of the agricultural population of India.

So much for Manu. Kautilya or Chanakya<sup>(1)</sup>, the Prime-Minister of Chandragupta Maurya, in his colossal work the ARDHASASTRA urges for the regulation of the rate of interest by the State<sup>(2)</sup>. Book III. ch. xi. of his work gives a series of injunctions regarding the regulation of the rate of interest and the settlement of debts<sup>(3)</sup>. Fifteen per cent. per annum is just, while sixty per cent. per annum is commercial interest. The sanity in the recognition of such a differentiation and enhanced rate of interest is pretty plain, since commercial transactions are normally of a highly productive kind than purely agricultural ones. One hundred and twenty per cent prevails among the forest people, while two hundred and forty per cent. commonly occurs among the sea traders<sup>(4)</sup>. In the last two cases it is to be noted that such high rates are to some extent justified since in the forest tracts the exploitation of nature's resources gives a preponderatingly higher economic return, while in marine transactions (SAMUDRANAM) the tendency for risk is very great in those days of primitive nautical knowledge. It is penal on the part of creditors to exact a higher rate of interest, and debts neglected for ten years or more reach their limitation period and "shall not be received back". A creditor refusing to accept the repayment of the debt due to him shall be liable to fine. The claims of different creditors upon an individual debtor are to be collected in the order of the priority of transactions. In any case the settlement and determination of KUSIDAM or interest shall be in accordance with principles of equity<sup>(5)</sup>. In the adjudication

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(1) The writings of Kautilya are of perennial interest to us, inasmuch as they are not so religious and ethical as Manu's injunctions, while they descend to the actual money-lending practices of the India of the IV century B. C. Kautilya generally reveals a firm grip of the economic factor contained in monetary transactions.

(2) "The nature of the transactions between the creditors and debtors on which the welfare of the Kingdom depends shall always be scrutinised." ARDHASASTRA. Book III. ch. xi. Shamasastri. p. 214.

(3) IBID. pp. 214-216.

(4) Cf. LAWS OF MANU. ch. VIII. v. 157.

(5) Eg. "Interest on debts due from person who are engaged in sacrifices taking a long time (dighasastra) or who are suffering from disease, or who are detained in the houses of their teachers (for learning) or who are either minors or too poor, shall not accumulate". ARDHASASTRA. p. 214.

of penal cases resort should be had to the characteristic Kautilyan amercements <sup>(1)</sup>.

The prevalence of such high rates of interests and their recognition by Manu and Kautilya need not lead us to lay undue emphasis upon the exorbitant nature of interest as obtaining in ancient India. High rates of interest are India's legacy, perhaps! They are the concomitant of India's agricultural finance. Even at the present day we hear of reported cases where as high and as incredible interests as 730 per cent. and 2,250 per cent are provided for in contracts relating to debts <sup>(2)</sup>. Neither are countries in the west exempt from exorbitant rates of interest. Sir Theodore Morison quotes signor Levi pointing to a case of Latin usury where 730 per cent has been charged on a debt, that is at the rate of two per cent per diem <sup>(3)</sup>. Thus will be seen that the tendency to demand and take high rates of interests, if possible, by means of unconscionable bargains is present in India even at the present day.

The regulation by state of the rate of interest has been uniformly felt desirable in all civilised countries. The countries of the

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(1) In the code of morals and their regulation by the State, Kautilya urges for graded system of fines. Espionage and amercement go side by side in the mind of Kautilya in the appraising and the settlement of debts. According to Kautilya there should be a regular gradation of amercements, the First, the Middle-most and the Highest: in order, 12 to 96, 200 to 500, 500 to 1,000 ones. IBID. Bk. III. ch. xvii Shamasastri. p. 235.

(2) Cf. "In BANSIDHAR v. BU ALI KHAN (1880, 3 Allahabad 260) the defendant agreed to pay the plaintiff a loan of Rs. 50 on a certain date, and in default to pay interest at Re. one per day, that is at the rate of Rs. 730 per cent. per annum". THE INDIAN CONTRACT ACT, Edited by Sir Frederick Pollock and D. F. Mulla. Second Edition. London, Sweet and Maxwell. (1909). pp. 334-335.

Again, take another case which seems to be the MOST NOTORIOUS IN PRINCIPLE OF ALL RECORDED CASES. "In VITHILINGA v. RAVANA (1882, 6 Madras 167) the defendant agreed to pay a loan of Rs. 10 within fifteen days and in default to pay interest at the rate of one anna per rupee per diem, that is at the rate of Rs. 2,250 per cent per annum." IBID. pp. 335-336.

It may be noted here that both the presidency tribunals gave such a construction to the above cases so as to bring them under section 74 of the Indian Contract Act (Act IX of 1872), that is under the clause "stipulation by way of penalty", and dismissed the higher claims of the plaintiffs.

(3) ECONOMIC TRANSITION IN INDIA. p. 75. Instances are not wanting to enumerate. The powerful incentive for the almost concurrent development of the co-operative movement in European countries towards the close of the XIX century is to be found in the economic ruin of the peasant rendered contingent by the usurious interests demanded by the Jews who turned out to be the scourges of the agricultural communities,—such at least are the accounts furnished by Wolf; Dupernaux and Sir F. A. Nicholson. In this respect a glance at Sir Frederick Nicholson's REPORT REGARDING THE POSSIBILITY OF INTRODUCING LAND AND AGRICULTURAL BANKS IN THE MADRAS PRESIDENCY (1875) is most paying.

west regulate in one particular manner or other the rate of interest chargeable on transactions relating to borrowing <sup>(1)</sup>. In all civilised countries legal Courts have discretionary powers to re open objectionable transactions and give relief to the debtor whatever may be the embodied contents of a contract and their stipulations.

The practice in England regarding the regulation of the practices of money-lending is different from that of other countries in certain respects. The money-lenders Act of 1900 governs the transactions relating to money-lending, by which the abuses of professional money-lending are "best regulated by a system of registration coupled with relief to debtors" <sup>(2)</sup>. But Dr. J. S. Nicholson has given his considered opinion, that the attempt to directly suppress usury will only increase the evil, that the attempt to control the rate of interest will be met by fictitious devices, and that "in a progressive society borrowing for commercial purposes has become of overwhelming importance compared with borrowing for purposes of necessity" <sup>(3)</sup>.

The case of India is quite on a different plane. Legal practice varies in different parts of the country, and even in the same legal court different principles of law are to be applied in deciding cases when the contracting parties belong to different communities. <sup>(4)</sup> While the statutory law as applicable to British India is not wholly satisfactory, Act XXVIII of 1855, repealing the usury laws, did not effect the equitable jurisdiction of courts to relieve against usury. While sections 16 and 74 of the Indian Contract Act (Act IX of 1872) as directly affecting money-lending transactions are defective to some extent Referring to the provisions of Act XXVIII of 1855 which purports "That the mere fact that the rate of interest is exorbitant is no ground or relief unless

(1) Thus in France the maximum rate of interest on ordinary transactions is 5%, and 6% on commercial transactions. In Germany 5% alone is chargeable on commercial transactions. In America, the legal rate varies in different States, from 5% in Louisiana to 8% in Wyoming, while in the Eastern States generally 6% is the legal rate of interest. See *ENCYCLOPÆDIA BRITANNICA*. Eleventh Edition. Vol. XVIII.—Art. MONEY-LENDING, by Ch. G. Alabaster.

(2) *Cf.* the instructive article by Alabaster.

(3) *Cf.* Art. Usury. *IBID.* vol. XXVII.

(4) This has been engendered due to the divergence of the principles of the Hindu and the Muhammadan law. Even among the body of the Hindu law difference of opinion is possible according to the tenets of different schools of Hindu law such as DAYABAGHA and MITAKSHARA.

the transaction amounts to an 'unconscionable bargain'", and speaking of the case-law relating to the same. Sir Frederick Pollock says: "*the principle of these decisions, it is submitted is not sound*"<sup>(1)</sup>, for, following it to its logical consequences, any rate of interest, however exorbitant would be regarded as penal"<sup>(2)</sup>, Commenting on Sec. 16 of the Indian Contract Act (Act IX of 1872) regarding 'unconscionable bargains' the learned jurist continues: "The mere fact that the rate of interest is exorbitant is no ground for relief, unless it be shown that the lender was in a position to dominate the will of the borrower"<sup>(3)</sup>. While illustrations (A) and (E) to Sec. 74 of Indian Contract Act (Act IX of 1872) skips over the legality of enhanced rates of interest, to any extent for that matter, provided there is a stipulation in the contract regarding the same. Thus it will be obvious, that a change in the statutory law relating to usury in British India is desirable<sup>(4)</sup>.

Education has done a lot towards the amelioration of the conditions obtaining in India. The spread of literacy among the masses is steady and hopeful, and is due in the first instance to the efforts of the British Government of India, and national endeavour consequent on the rise in India's national aspirations. Even though the preset percentage of the literate is extremely small in India, the change in the history of Indian education as compared with the literacy of the people about half a century back must be pronounced to be radical. While at the present day when a movement towards

(1) The Italics are mine.

(2) THE INDIAN CONTRACT ACT, Edited by Sir Frederick Pollock and D. F. Mulla. Second edition. London, Sweet and Maxwell, (1909) p. 357.

(3) IBID. p. 84. One of the local judicial magnates expressed within the hearing of the present writer, his inability to apply usury laws to cases where exorbitant interests are demanded, as the exercise of coercion and undue influence are to be evidenced to do so. This is mainly due to the inadequacy of the statutory legislation and the undue discretionary powers given to the Courts as regards their equitable jurisdiction.

(4) It will be remembered that a person generally consents to pay an exorbitant rate of interest not only in transactions that are unconscionable. Necessity is another goad which leads a borrower to strike an inequitable transaction. He is prepared to promise to pay interest at any rate, provided he gets an immediate accommodation which prevents him from starvation or personal dishonour. While the improvident rich having mostly immovable property are prepared to pay higher rates of interests, in order to obtain money to gamble and squander. In cases like these during the weak moments of the borrowers, the creditors make the situations the propitious moments for their exploitation.

the whole sale reconstruction of India is in the air, the situation augurs further improvement <sup>(1)</sup>.

The progress of Banking in India is the next factor to be considered. India is proverbially notorious for her hoarding habits, and Sir Basil Blackett, the present finance member of the Government of India, has recently pronounced, while speaking of the banking conditions of this country, that "idle money means idle manhood" <sup>(2)</sup>. This is the reason why India endowed with an abundant quantity of potential wealth, which, was mostly left inert, or in the second instance, misused, is still lagging behind western countries as regards industrial development and economic independence. Unorganised national credit leads logically to the importation of foreign capital into India, which, at least in our case, is undesirable considering the economic capabilities of India <sup>(3)</sup>. But on the other hand, banking facilities in India have recently developed with amazing rapidity. For example, in the case of joint-stock banks (including the Imperial Bank of India as consolidated on 27th January, 1921) with a capital and reserve of five lakhs of rupees and over, the deposits have increased from Rs. 456,560,000 in 1914 to Rs. 827, 645,000 in 1923, that is, nearly doubled in a decade. This is indeed encouraging. But we are mainly concerned with the credit side of banking operations to finance the needs of the average Indian artisan and peasant at a low rate of interest, even though thrift, as instanced by a large in flow of deposits, ultimately leads to cheap credit. This is to be supplied by the co-operative activity in India.

The co-operative movement in India is of recent origin <sup>(4)</sup>. It

(1). Cf. the political war-cries of political leaders in India, especially Mr. M. A. Jinnah's political trinity "educate agitate, organise".

(2) His speech before the Indian Legislative Assembly. Nov. 27, 25.

(3) The investigation of this problem has been recently entrusted by the British Government of India to the External Capital Committee, which unfolded to the student of economics a lot of information.

(4) The observations on the Co-operative movement in India are based on the writer's article on CONSTRUCTIVE CO-OPERATION in the BOMBAY CO-OPERATIVE QUARTERLY, Vol. X No. 2., pp. 70-74. (September, 1926) been based upon a series of articles written by the present writer and published in the JUSTICE, Madras, on CONSTRUCTIVE CO-OPERATION.

has developed out of humble beginnings, being initially a super-imposed system of economic self-sufficiency due mainly to Government initiation and official organisation <sup>(1)</sup>. Hence the movement has not met with the same amount of enthusiasm which it would have met had it been, like other popular movements, the spontaneous outcome of the desire of the masses to ameliorate their conditions. But of late the co-operative movement has come to receive the wholehearted support of the average Indian.

Governmental initiation began with Act X of 1902 which is the product of an initial survey. Act IV of 1912 saw the establishment of the Co-operative Departments in each province in India. While the Report of the MacLagan Committee (1915) once for all supplied a VADE HACUM for co-operative activity in India. During the two decades of its existence, the movement developed considerably, but not to the desirable extent. Yet a statement of its operations unfolds the fact that to a great extent the movement is the solvent of the undesirabilities of the iniquitous practices of the *Mahajan*. The tendency of the co-operative movement in India is more and more towards the extension of credit, and establishment in abundance of co-operative credit societies, to the actual detriment in some measure of other useful avenues of co-operative activity. For instance, from Rs. 1,220,000 in 1914-15, the loans outstanding of the co-operative banks with capital and reserve of Rs. 5 lakhs and over rose to Rs. 3,177,000 in 1923-24, or increased by half during the period of one decade <sup>(2)</sup>. Consequently, the movement is gradually freeing the peasant from the grip of the *Mahajan*, and at least emphatically lowers the rate of interest demanded by him.

But all the same, however hopeful the situation at the present day may be, it has not improved to the desirable extent, and obliterated the blot cast by the *Mahajany* practices on India. The present Governor-General of India, who is a pronounced authority on agriculture, and the recently appointed Royal Commission on India

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(1) As shown in the above series of articles, I have found ample reason to state that the Hindu genius is essentially co-operative, and the co-operative germ is the sole legacy of ancient India.

(2) STATISTICAL ABSTRACT FOR BRITISH INDIA. No. 1953 (1925), p. 244.



Agriculture will, it is hoped, set matters right and render secure on a sound basis the economic equilibrium of India <sup>(1)</sup>.

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(1) It must be submitted that the terms of the appointment of the Royal Commission on Indian Agriculture or not exhaustive and wholly satisfactory. The problems of occupancy and tenancy rights are left out of the legitimate pale of the Commission's enquiry, and it is made OPTIONAL on their part to make recommendations on those subjects IF THEY CHOSE. But India's agricultural indebtedness is indissolubly connected with the relation of the agriculturist to the soil. It is hoped that the enquiries of the Commission will be extended by statute—the phases of agricultural life left out in the original terms of reference.

*N.B.* :—After the present article has been written in full, I have found material regarding the name of Chanakya as being Kautalya and not Kautilya as is generally understood among Sanskrit scholars. See. JOURNAL OF INDIAN HISTORY. Vol. IV. pt. iii. September, 1925, pp. 105-114.

# ECONOMICS AS SHE IS TAUGHT

BY

PROFESSOR H. R. SCOTT

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The following is an extract from a standard work which has gone into five editions recently :—

"This idea of the demand for currency coming from the holders, runs through the whole First Part of the present book, and is most important to the argument put forward there. But it appears very strange to all who have been brought up to believe that the demand for currency is furnished by the number and amount of transactions effected. That belief seems to me to be exactly equal to a belief that the demand for houses comes not from the people who want to live in houses, but from people who buy houses and sell them forthwith. The efficient demand for houses evidently comes from those who want to hold houses : even the speculator wants to hold for a time. (!) Mere "activity in the house market" a little more changing ownership than usual—only involves an increase of demand in the same sense as it involves an equal increase of supply which cancels it whatever may be said about the actual use of the terms, it is clear that the demand which is important as affecting the value of the houses is the demand for occupation. Similarly, more transactions for money—more purchases and sales of commodities and services—may in a sense be said to involve increase of demand for money, but in the corresponding sense it may be said to involve an equal increase of supply of money (!) the two things cancel. The demand which is important for our purpose is the demand for currency, not to pay away again immediately but to *hold*. Just as you are a less important demander of houses if you occupy a £.1,000 house than if you occupy a £.2,000 house, so you are a less important demander of currency if you keep on the average £.5 in your pocket than if you keep £.10."

I fear my readers will not wade through all this meticulous rigmarole intended to express the idea that public pocket money is a

factor in the needful supply of currency, fiduciary or otherwise; but it is the sort of stuff that students must struggle with and understand if they can.

Any house agent could have told the author that the enquiry or the demand from potential buyers was caused generally by scarcity and that the object or intention of each buyer was not necessarily disclosed nor did it concern the seller, since one man's money is as good as any others. To compare mobile but idle money with immobile use serving but depreciating property like houses is beyond patient criticism.

He goes on: The usual talk of velocity of circulation is only a clumsy attempt to express this truth. (What truth? Friction caused by cash holdings?) If we say that additional sales and purchases may be effected without alteration in the value of money provided the velocity of its circulation is increased, we may equally say that additional transfers of houses may be effected without altering the value of houses, provided the velocity of the circulation of houses is increased. We don't say that because the futility of it would be obvious; it is so much simpler to disregard both the transfers and the velocity of the circulation of houses and come at once to the ultimate demand, the demand for houses to *hold* (not my italics.)

This attempt to combat an idea which none ever entertained who has any experience of markets or of the human factor in all business transactions relating to such cumbersome property as house conveyances, leaves one gasping. There is a prevalent belief no doubt that a limited volume of currency will cover an infinite number of transactions in any given time through increased velocity of circulation especially when assisted by cheques and clearing houses but in practice an active market always connotes a rising market or a speculative desire to secure something which can be re-sold at a profit without delay.

The next paragraph however adds to the bewilderment of the student; "It may be said that, in addition to the demand of persons and institutions for currency to *hold* there is also sometimes a demand by banks and Governments for currency to destroy as, for example, happens when the bank or the treasury is reducing the aggregate amount of notes outstanding. But as this demand always

or almost always, comes from institutions which have issued quantities of paper and subsequently repented (!) it is usually regarded as simply reducing the supply instead of increasing the demand. In favour of regarding the institution as a demander, it may of course be said that the fact that it acquires (how) the currency to burn rather than to hold is immaterial since it makes no difference whether the currency acquired is held or burnt, provided it is not reissued."

This seems an extraordinary complication to introduce in connection with the sacred subject of money generally believed to be public property utilized as a medium of exchange in the form of gold and silver or their representatives in paper notes.

This paragraph was written however soon after the last War when the British Treasury altered the whole nature of English money by printing "Bradburys" based on Bank credit balances as supported by State borrowings from the public with the help of banks. The author could not then resist some allusion to this revolution or perhaps evolution in matters of currency.

But assuming that true currency is an independent medium or only a tool needed by the public, the destruction of it when redundant by reason of lower prices and its consequent metamorphosis into bank credit balances absorbed by investments in new State borrowings or other interest bearing debts, seems to be sacrilege, since all prices or fractions of the total money extant must thereby be affected; such prices must shrink although such fractions remain the same.

Yet we expect and we believe that true values are expressed by prices. The writer addressed the Author in connection with this confusing exposition of currency as it is to-day but the latter persists in his pernicious doctrine which no doubt was welcomed by all who wish to support the power of money rather than sympathy with workless classes in their ignorance of the vital principles involved, when certificates which profess to be units of value became in reality units of a varying supply of State counters or tickets called legal tender!

In another place this gifted author asserts that; "Government and the banking authorities often accept wholly erroneous theories

and have to be guided to a large extent by the erroneous theories held by the public even if they do not accept them."

This statement is a deliberate perversion of the truth which consists of official and banking authorities taking advantage of the ignorance of the public in adopting and persisting in measures which they must know to be inimical to the welfare and progress of the community because they happen to suit their own immediate interests and power.

The late Professor Alfred Marshall of Cambridge, a noble exponent of Economics wrote in 1887 that "the general prejudice against tampering with the monetary foundations of economic life was a healthy prejudice", yet he observed that "much may be done towards safeguarding the economic welfare of communities by lessening its variability."

I may be accused of wishing to temper with the monetary foundations of daily life but I maintain that this tampering has been done already by those in authority more from ignorance than malice also that my efforts are towards putting these foundations now on good, natural common sense principles without disturbance of existing values as expressed by *de facto* prices.

Ricardo, our recognised guide in all such matters, wrote; "It has indeed been said that we might judge of the value of a currency by its relation not to one but to the mass of the commodities. Such a test would be of no use whatever. To determine the value of a currency by the test proposed is evidently impossible".

But through the genius of Dr. Earnest Dick of Basel such a test has now become possible through the well tried mechanism of trade commitments discountable and then rediscountable at some fixed rate by an independent responsible State Bank in new temporary legal tender currency appearing and disappearing coterminously with every approved transaction with its subsequent consummation or absorption through consumption rendered possible by such prompt monetization of all new additional created values.

Replacements at steady prices are provided for by existing monetary economies but no expansion becomes possible without

lower prices and these tend to check production as unprofitable in terms of permanent metal backed money.

The old saw says " Money makes the world go round " but the converse is nearer the truth *i.e.*, that the world of men in their desires and efforts cause money to circulate at varying speeds.

I want the orbit enlarged and the rotation to be uniform.

# THE ECONOMIC LAW OF CONSUMPTION

BY

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The scientific study of consumption is a later and more recent development of the study of Economics. As a preliminary to this study it is necessary to have a definite classification of economic consumption. Unfortunately this classification has not yet been very scientific. Also there have been great divergences of opinion. But Marshall's classification may be taken as a convenient basis of further study. According to him the articles of consumption may be classified into necessities, comforts, and luxuries according to the degree of their importance as items of consumption. But the exact line of demarcation between the divisions is naturally difficult to draw. Marshall further sub-divides the necessities into bare necessities, efficiency necessities, and conventional necessities. Bare necessities are those articles the consumption of which is essential for the continuance of human life; efficiency necessities, those the consumption of which is essential to maintain the human agent in the requisite state of economic efficiency; and conventional necessities, those the consumption of which is required by the custom of the society in which one moves. These last would come under comforts or luxuries in another society but inasmuch as their use is obligatory in a particular society they are necessities for the members of that society, *e. g.*, hat and tie in Europe, cap or turban in India, etc.

In this connection an existing misconception requires to be corrected. Usually it is thought that the articles of consumption as such are classified into the above categories. It is often supposed, for example, that wheat is a necessary thing, motor car a comfort, and scents a luxury. But this is incorrect. To the busy doctor a motor car may be necessary inasmuch as his efficiency—judged by his capacity to attend to a large number of patients—may increase with the car. Thus the first point to be noted in this connection is that the classification does not apply to the articles of consumption

as such. It is always in reference to the particular consumer. What is luxury to one consumer may be necessary to another.

Nor is this relation to the individual consumer fixed and unalterable. With the change of time and therefore of circumstances there may be a change in the classification of the articles of consumption even in reference to the same individual consumer. Thus if the doctor, in course of time, develops a clinic and chooses exclusively to attend it, a motor car may not now be necessary and may be a comfort or luxury.

Similarly a change in the place may alter the classification. For example, if the doctor moves to a small village situated on a road but if the village has only very narrow and crowded lanes as means of communication within it, a motor car may not be necessary but a pure luxury for pleasure drives along the road.

Then, again, the units of the same article are to be taken separately for the purpose of this classification. The whole quantity of the same article consumed by an individual need not, and, in most cases, would not come under the same category. Thus a portion of the wardrobe of a rich man would be necessary, another portion comfort, and a third portion luxury. This would be so even when we take the units of the same item in the wardrobe.

Thus we find that the three-fold classification of human consumption into necessities, comforts, and luxuries does not primarily refer to the articles of consumption but to their units, and varies according to the individual consumer, the time, and the place. But a science cannot afford to deal with separate individuals, and as individual consumers often represent a type of consumption standard which is sufficiently homogeneous for scientific purposes, economics studies groups instead of individuals. Thus the community is divided into groups and the standard of consumption for each group is studied as at a given time and place. This is only for better scientific study and not because the dynamic aspect of consumption, or indeed of any economic activity, is denied or over-looked.

Now if the standard and therefore the classification vary so much for the groups according to the time and the place, can there be any common measure which we can apply in attempting to classify human consumption in general? It should be noted that unless we



succeed in discovering such a quantitative measure we shall also have to give up the classification, for a study which claims to be scientific must devise a means of such common measurement to be applied universally. It seems to the present writer that this vital feature in the study of consumption has not been properly grasped by economists who have now agreed to accept consumption as an integral in fact, a most important, part of economics.

The next question is what should be the nature of such a common measure? From the purely economic point of view the processes of consumption and production are inseparable. As Smart happily puts it, the two together form a flow indistinguishable from each other in their final result. The object of production is consumption and that of consumption is production. Therefore, there is an essential unity in the two processes, or rather the two aspects of the same process, of consumption and production. This unity in the two aspects obviously lies in efficiency. When we talk of production we judge it by its efficiency. Similarly when we talk of consumption we should judge it also by its efficiency. Hence the common measure in our classification of human consumption must be based upon the common principle of efficiency.

Here it should be remembered that the notion of the standard of consumption or living as understood by economists is somewhat different from that in the popular mind. According to the latter a higher standard of living invariably means a greater multiplicity of wants satisfied, with little reference to its reaction upon the productive efficiency of the consumer. In Economics, for reasons given above, efficiency is the pivotal point of the standard by which all economic activities including consumption are to be measured. Therefore, when we speak of a higher standard of living in Economics we should mean a standard of living which generates in the consumer conditions of superior productive efficiency.

If the above be kept in view it is not difficult to formulate a common standard of measurement by which we can classify the articles of human consumption and the principle of which will be fixed for all times, all places, and all individuals or groups of consumers. This standard of measurement is based upon efficiency as understood in Economics, and the classification into necessities,

comforts, and luxuries depends upon the increase or decrease of efficiency with the consumption or deprivation of the articles of consumption. Thus a necessary unit of an article of consumption in a group, . . . or ideally, in an individual consumer, . . . at a given time and a given place will be that unit of it the consumption of which increases the productive efficiency of the consumer and the deprivation of which decreases his efficiency. An article in similar circumstances will be a comfort if its consumption does not increase his efficiency but its deprivation decreases his efficiency. An article will be a luxury if its consumption and deprivation do not increase and decrease, that is, do not affect, his efficiency. If, for example, the consumption of a certain unit of wheat increases a man's economic efficiency and if its deprivation diminishes his efficiency, that unit of wheat is necessary for that consumer at that time and place. Similarly if the consumption of a certain unit of tea does not increase his efficiency, but he is so addicted to it that he cannot properly work without that unit and therefore its deprivation reduces his productive efficiency, then that unit of tea is a comfort to that consumer. If an additional pair of shoes does not increase the productive efficiency of the consumer and if its deprivation does not reduce his efficiency, then that pair of shoes is a luxury to that individual consumer.

The above illustrations are deliberately chosen to bring out another point connected with the standard of measurement. A fundamental law of consumption is the law of *diminishing utility* which is almost of universal application. Therefore, a standard which seeks to measure and classify consumption must accept that law in its classification. This vital feature is inherent in our standard of measurement adumbrated above, for as the utility of the same article diminishes with the number of units consumed by the individual, so does the classification of those units vary according to our standard.

Thus the category into which a particular article can be classified is determined by four variable items, *viz.*, the individual consumer, the particular unit of the article, the time, and the place. It is worthy of note, however, that the above classification deals with the utility of consumption and not its welfare or social value. To the extent that

these two are not the same,....as pointed out by Pigou, they are not necessarily nor always the same,....our standard applies to the individual valuation and not to social valuation.

We may now conclude by formulating the law of consumption in the following way :

*A unit of consumption is a necessary, comfort, or luxury according as its consumption and deprivation bring respectively about an increase and a decrease, no increase and a decrease, or no increase and no decrease, in the productive efficiency of the particular consumer at a given time and a given place.*

# WHAT IS THE "ECONOMIC PRINCIPLE" ?

BY

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Economists are generally agreed that the distinguishing mark of their science is the "economic principle" which inspires and guides human conduct constituting the subject-matter of their investigations. Thus they speak of the economic motive, the economic man, economic wants, economic activities and economic methods. Now, we may ask, "what is this economic principle ? Is it a characteristic feature which marks off Economics from other social sciences ? The usual argument in this connection runs thus :—Most of the wants of man, whose existence is undoubted, can be satisfied only with the help of the external world. While, however, human existence itself depends upon the satisfaction of man's wants, the means afforded by nature are limited and can be secured and utilised with great effort. By instinct man likes ease and hates labour. The relative scarcity of the means of livelihood and aversion to the trouble required to satisfy the wants which are inexorable create a tendency on the part of man to "economise" the resources that are and can be made available with effort. Hence the human disposition to try to achieve the highest amount of satisfaction with the least amount of trouble. This principle of conduct is called the "economic" principle. Cassel observes in his "Theoretische sozio-ökonomie" :—As the material for the satisfaction of wants is, as a rule, to be had in limited quantities and as the wants of civilised men are, in their totality, insatiable, the means for satisfying wants are scarce in relation to those wants . . . . . The special task of economy is, therefore, the establishment of the necessary equilibrium between wants and the materials required to satisfy them in the most advantageous manner. In the measure as this succeeds, we call the management economic".

It is usual with economists to state this principle of "minimum effort" or "maximum result" as an elementary but a fundamental idea of economics. It presupposes human wants, the knowledge that they can be satisfied with the production or acquisition of certain

suitable objects, the insufficiency of the supply of these goods and services and the consequent deliberate effort to reduce the trouble and the sacrifice and to attain the greatest possible result from the energy expended. Economics has, therefore, been defined by Charles Bodin<sup>1</sup> as "the science of the methods and calculations which tend to reduce human suffering, in augmenting the efficiency and determining the opportunity of human effort". But is not this human disposition to economise effort and to avoid pain and sacrifice, a general principle of man's conduct, which cannot be claimed by Economics as exclusively as its own? The domain of Economics has been demarcated with sufficient clearness: it covers man's activities in relations to his wants and their satisfaction. Economics looks at human life from a certain definite point of view, leaving it to other social sciences to deal with the remaining different special aspects of that life. Having thus appropriated to itself a definite province of enquiry, *viz.*, individual and social relations connected with men's wants and their satisfaction, is it further essential for the science to adopt a special criterion, a separate principle, as the basis for judgment analysis and synthesis? Some economists have answered this question in the negative as they hold that the enunciation of the so-called economic principle is nothing but a statement of the principle of the general rational conduct of man. Dr. Sven Helander<sup>2</sup> thus remarks:—

"We have excluded the so-called economic principle from our definition—as Dietzel, in particular, has done—because that principle is the basis of each rational activity, and therefore, it can not be stated as the characteristic of the idea of economic conduct. "According to this author, the balancing of pleasure and pain as a condition of activity, is a proceeding common to all human acts and is not a peculiarity of economic behaviour, and therefore the appropriation for economics of the principle as if it were its monopoly, is nothing but unconscious smuggling of a general conception for a specialized purpose. Prof. Stolzmann takes the same view and observes that though one can appreciate the desire to separate economic material from other phenomena and to deliver them to an independent science, it does not follow that for each separate study

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(1). "Principes de science Economique".

(2). "Die Ausgangs punkte der Wirtschaftswissenschaft".

a special method and a special principle should be set up. He remarks :—"Economics has branched off slowly, in the way of deliberate division of labour, from the political and sociological sciences, and its special province is the material life of desires and their gratification, but this separation applies only to the stuff or material, but out of this does not arise the necessity of a material principle<sup>1</sup>."

The principle of rational conduct is all-pervading and almost instinctive. The economic principle, identified with it, has been called 'natural' by certain economists who, therefore, have felt inclined to regard Economics itself as a "natural science" Bodin thus says :—"Man always practices economy more or less instinctively, more or less rationally. To live without economy has been for humanity nearly as difficult as to live without breathing. . . . Economy constitutes a natural phenomenon, and economic science is, in one sense, a natural science". Eulenburg says :—"The economic principle is an entirely common assumption or hypothesis and is found in Mathematics no less than in natural science, in aesthetics as in Economics proper, in land management and in the process of thought". It is a principle which is not restricted to business activities but extends to acts of recreation and charity. A person spends a part of his income in charity because the satisfaction he secures thereby is greater than what he would have obtained if had devoted the amount to some other purpose. The disposition to try to extract the largest use out of the smallest sacrifice is, therefore, according to Dr. Philippovich imbedded in human nature and is a principle which is found not only in the material sphere, but it finds expression in the economic sphere so predominantly or even exclusively that it has come to be called the "economic" principle. He proceeds to point out that it is not the objective aim of activities *viz.*, the acquisition of goods that is economic but the manner in which the effort is put forward, that is to say, the attempt to reach the maximum result with the smallest expenditure of energy. The opposite kind of conduct is consequently uneconomic<sup>2</sup>. The "economic man" is now dead and buried, and the distinction between economic and non-economic want is denied. As Oppenheim<sup>3</sup>

(1). "Grundzuga einer Philosophie der Volks Wirtschaft."

(2). "Grundriss der Politischen Oekonomie." (3). "Der Arbeitslohn."

remarks, "the doctrine of the economic satisfaction of wants is not the doctrine of the satisfaction of economic wants but of the satisfaction of wants in the economic manner." Without going into psychological discussions, Dr. Marshall assumes that man's business conduct is guided by a balancing of satisfaction and sacrifice and he says :—"Now the side of life with which economics is specially concerned is that in which man's conduct is most deliberate, and in which he most often reckons up the advantages and disadvantages of any particular action before he enters upon it".<sup>1</sup>

It will, therefore, be a fair conclusion to draw that the so-called economic principle is at bottom, the general principle of rational conduct in accordance with which man will instinctively try to economise effort, though this instinct is surely developed with the progress of civilization. This principle is applied in all spheres of human activity and will be found in politics as much as in economics. Thus when in the Indian Legislative Assembly, Government members object that the opposition of elected members to a measure, say, the Reserve Bank Bill or the Textile Tariff Bill or the Steel Bill, is political, and is economically untenable, what is meant is that the opposition seeks to use the particular bill as an efficient lever to gain political victory and power at the sacrifice of economic advantage. Henry Clay<sup>2</sup> points out:—"A man may be a socialist on purely economic grounds, believing that an extension of state ownership would result in cheaper and better supplies, but he may believe that state ownership would result in some waste, and still advocate its extension on the political ground that so important an influence on life as the supply of the means of life should be democratically controlled, or on the ethical ground that competition as it works as at present is immoral." It is not necessary to labour this point and to demonstrate how the principle of rational conduct is observed in politics as much as in Economics, in religion as in morals. All the same, as Economics has to do with the whole range of human wants, there is infinite scope for the application of that principle in that science, and it operates more powerfully in economic activities than elsewhere. Thus may be explained the appropriation of the so-called economic principle by Economic science.

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(1). "Principles".

(2) Economics for the General Reader.

A further discussion of this question will, however, be useful. A mere comparison and balancing of advantage and disadvantage in connection with a course of conduct, does not constitute economic activity and does not involve the economic principle. Nor is it present in the technical production of the highest amount of wealth with the expenditure of minimum of material cost. Desires and satisfaction are both conditions of the mind: the mental balancing of advantage and disadvantage is a psychic act while the technical operation of industry is exclusively material. The economic principle combines and co-ordinates these two; and the mental craving is gratified with the concrete results achieved with the help of material means *i.e.*, at a cost felt by the mind. This idea of the discrimination between the general rational principle and the special economic principle has been suggestively worked out by Dr. Karl Muhs.<sup>1</sup> He realizes that the general rational principle applies to all human activities and expressions of life, and has consequently endeavoured to discover a special economic principle that will stand out clearly against the common principle of conduct and will satisfy the special requirements of economic science. On the one hand in the purely technical activity, the means and the end the material and the product, are both objective; and on the other hand, in purely mental activity, the means and the results are entirely subjective. In the process of instruction, for example, the teacher employs the method of proceeding from the concrete to the abstract and from the known to the unknown and thus saves his and his pupils' time and energy but this plan of action is of no interest to the economist and does not involve the economic principle though the principle of rational conduct has been applied here. The economic principle works as the regulator in the comparison of the valuation and the perception of the material results of the advantageous application of means to attain the desired end. Both the cost of effort and the reward of satisfaction are mentally grasped and the economic principle comes into operation when the two are balanced against each other and suitable action is taken.

Dr. Muhs proceeds to point out that the so-called economic activities such as exchange, wealth-production and credit operations are not truly economic if they are taken by themselves, and become

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(1) "Materialia und Psychische Wirtschaftsauffassung".



economic only if they are considered as carried on on the basis of the balancing of the advantage and disadvantage to the operators of these activities. This point is instructively illustrated in the stories of Indian saints, of Tukaram, the trader and Gora, the potter, of Maharashtra, for instance, who carried on trading and industrial operations without the least regard for the resulting balance of benefit or profit, and their conduct was obviously not economic. These activities were certainly productive of spiritual good though they were lacking in economic efficiency. It is, however, superfluous to remark that Economics as a science, has to deal more with what is than what ought to be, and it passes no judgment on human conduct. It takes men as they are and studies the practices and institutions which have been built up for the satisfaction of wants. And proper adjustment of means to ends is essential for the attainment of all-round progress. Cultural development and moral progress need the intelligent application of the "economic" principle. Whatever the wants of man . . . and they are infinite . . . the energy and the means to satisfy them are limited, and the latter have, therefore, to be sparingly employed and are to be so utilized as to yield the best results. Man's demands are ever-growing, but fortunately with them is likewise growing his capacity to gratify them. The economic principle is therefore, concerned with this problem of adjustment of the end and the means.

The economic principle implies a consciousness of the end to be achieved, a purposefulness—what the German economists call the *planmassigkeit* or *zweckmassigkeit*—and a deliberate effort to choose the most effective means to attain the object. The means to be employed and the manner in which they are employed are of the utmost importance in Economics, so that some thinkers<sup>1</sup> call Economics the "science of the means". The economic principle has to do with the material that is required to satisfy a want and the most advantageous manner in which this can be done. The mere making of plans is not enough nor is it enough only to make or procure goods. The desire and the wealth must be brought into relation with each other, and on the balance, the highest amount of satisfaction must be secured. In actual life the economic principle

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(1) Othmar Spann.

is very often not followed, and there is waste of energy. It may be that other considerations such as custom prevail or there is ignorance. Man's activities have other aspects and these sides of life also exert greater influence on conduct than the economic. Whatever the wants may be and whatever social activities may be under consideration, the economic principle ought to have its share in the determination of conduct.

# GOLD AND FRENCH MONETARY POLICY

BY

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In the June issue of the 'Economic Journal' the necessity of economising gold was discussed. In this article it is proposed to revert to this question with special reference to recent monetary policy in France and to consider the stabilization of the franc in the interests of France and the possibility of still further co-operation among central banks in order to minimize the movement of gold. The views expressed have been arrived at after discussion with the authorities concerned in the matter when I was recently in Europe and when some time ago I was in New York and Washington. It is extremely important to have clearly before us the facts which underly the gold purchases of France in the earlier part of the year.

To-day France is not on the gold standard: she has not assumed the obligations of a free gold market but yet takes in gold and does not in normal circumstances let it out. At the moment she holds a large amount of sterling and dollar currency. She has not, it may be added, yet funded her external obligations to Great Britain or to the United States. Is the policy of pegging the franc, fraught with serious dangers to France herself as well as to the world by means of heavy purchases of gold? The policy of the Bank of France has not been understood in London and indeed in New York. The large gold purchases which began at the end of May this year were unexpected, but the policy underlying these purchases is not unintelligible.

The recovery of the franc from the middle of 1926 to the present time is very remarkable. The following tables shows the yearly average rates of exchange from 1921 and the monthly average rates for 1926 and 1927:—

\* *Rate of Exchange (francs per £ 1)*<sup>1</sup>

Yearly average.		Monthly average.	
		1926.	1927.
Par	25.22	January	128.79. 122.58.
1921.	51.94	February	132.40. 123.61.
1922.	54.56	March	135.81. 124.03.
1923.	75.74	April	143.68. 124.02.
1924.	85.27	May	155.06. 124.02.
1925.	102.58	June	165.92. 124.02.
1926.	152.70	July	199.03. 123.76.
1927	123.84	August	172.11. 124.03.
(ten months)		September	170.07. 124.02.
		October	165.55. 124.05.
		November	141.17.
		December	122.86.

A year ago there were not a few who believed that the franc was in danger of following the illfated mark. Today the Bank of France possesses a reserve of gold or foreign currency, at least the equivalent of more than twice the size of the Bank of England's reserve. The Bank of England's reserve, it may be noted incidentally, is required to discharge all the obligations of an international financial centre with a free gold stock while the Bank of France has to discharge none of these functions. It may be concluded, therefore, that the stock of the Bank of France should be ample. When Mr. Raymond Poincaré became Prime Minister and Minister of France on July 24 last year the franc was 250 to the £ while at the present time it is stable round 124. M. Poincaré was the only political leader who could command an assured majority both in the Chamber and the Senate. His Government has imposed taxation which has been accepted, almost without a murmur. The budget has been balanced and the floating debt brought within manageable proportions. As I pointed out elsewhere<sup>2</sup> the flight from the franc arose largely from a 'crise de confiance' on the part of the capitalists, the whole of the rentier classes, the professional classes, the petite bourgeoisie, and the peasants. M. Poincaré was the right man in the

(1) Bulletin mensuel (Institut International de Statistique). The October average is subject to correction.

(2) Reply to M. François—Marsal London 'Times' 28 February 1925 on 'British & French' Taxation.

right place at the right time because the French financial problem is a problem to a large extent of persons and politics.

In the battle of the franc M. Poincare was assisted by the Report of the Sergent Committee of Experts on French Finance which reported on July 4, 1926. The Committee warned the country of the peril of the financial situation and showed how the fall of the franc had intensified the destruction of capital resulting from the war. Many were living in the illusion of apparent prosperity when their profits were unreal. 'The French people', said the Report, 'are working and producing; but most of them are becoming impoverished unconsciously.' The Experts rightly pointed out that the question of monetary stability dominated all others. It ruled out of court altogether the return to the pre-war rate as this would require a continual deflation ruinous to the tax-payer. It declared its conviction that the franc should be stabilized as soon as possible. The whole report is a means to that end. The Committee laid down six provisions to secure stabilization:

(1) The balancing of payments, by preventing the export of capital, by temporary foreign credits, and by the progressive return of French capital from abroad; (2) The balancing of the Budget; (3) The balancing of the Treasury Accounts; (4) The final settlement of French obligations to foreign countries; (5) The adaptation of the general business system of the country to the new monetary conditions; and (6) The provision of a bank of issue with a reserve in gold and in foreign currencies sufficient, with commercial securities, to guarantee its note circulation. The Bank of France was the channel to effect stabilization. It must have a large stock of foreign currency with which to prevent any further depreciation, and a large stock of francs to buy up any surplus foreign currency which is offered. The right moment for the operation will be when the conditions indicated above have been fulfilled. The rate for stabilization could not be immediately decided on; it must be between the rate indicated by the cost of living and that actually current in the Exchange market when the operation is begun.

The Report of the Experts is not merely, as M. Romier pointed out in the *Figaro* at the time when the Report was published, 'an amalgam of authoritative opinions rather than a well-defined policy.'

It is something more. It contains a policy as well as high financial opinion, and it is this policy that M. Poincare has followed. All sales of francs have been done by the Bank of France alone. All dealings in currency have been centred in the Bank which has been the only seller of French currency and practically the buyer of foreign currencies. The French banks and other buyers of French currency obtained francs in return for sterling or other foreign currencies which had been acquired. The demand for franc notes was met by an unlimited issue of notes by the Bank of France and it is doubtful, had this not been done, that exchange could have been pegged at 124 to the £. The return of confidence brought back capital held by Frenchmen abroad and money flowed to Paris with the result that the general public were the possessors of enormous sum in franc notes. The holders of these notes obtained a small rate of interest by depositing them with the Treasury and the Treasury paid back on behalf of Government to the Bank, the proceeds of these deposits. The demand for francs resulted in the Bank of France having at its disposal large amounts of foreign currencies. The miscellaneous assets of the Bank of France under which are included foreign balances increased sixfold in the twelve months ended July, 1927.

The successful building up of foreign balances was seen in April last when the Bank of France paid off the balance of a loan of £33,000,000, at the Bank of England, borrowed during the War, and in the gold purchases in London and New York at the end of May £18,350,000 of gold was released by the Bank of England when the loan was repaid as this was held as part security for the loan. One third of the £18,350,000 went to New York and the remainder the Federal Reserve Bank brought from the owner, earmarking it in London as a special deposit not included it is understood, in the reserves of the Bank of England or of the Reserve Bank. In payment for this gold the Federal Reserve Bank apparently placed at the disposal of the Bank of France \$60,000,000 of Government securities which are, of course, convertible at will into cash. This transaction had the same effect as if the gold had been imported and its effects set off by the sale in New York of an equivalent amount of securities from the Reserve Bank. It avoids the shipment of gold either way and when required, say in London,

its transfer is likely to have less effect in Wall Street than if it were shipped from New York.

The second sign of the Bank of France's large holdings *vis* : the purchases of gold in London and New York towards the end of May were unexpected, at least in Lombard Street. The purchases could not have been profitable as a purely exchange transaction in view of the rate of exchange at the time. There were, however, other factors as we shall see, to be considered. Not only with the return of confidence were French capitalists bringing back to France funds but there was also a large speculative demand for French currency abroad. It was thought by speculators in these countries that the present rate of the franc (124 to the £) was too low. Currency and French securities of all kinds were purchased through London. This speculative demand was very noticeable since January when over 20 milliards of francs were sold for pounds and dollars. To prevent a sudden rise in the franc dangerous to the level of prices, to industry, and indeed even to politics, it was necessary to meet all demands for francs. It was recognised that this would in every probability raise rates in London, Berlin and other centres. It would, however, divert speculation from the franc. The effect of the Bank of France's purchases on London money rates was immediate. Thus the British Treasury had to pay in the way of discount considerably more at its weekly sale on May 27, the average rate of discount being £4-6-3 88d. per cent. as compared with £3-170-95d. per cent. in the previous week. The purchases appeared to the gold standard countries unfair and unnecessary as the gold was not used for the adjustment of trade balances, but for extraneous purposes unconnected with the gold standard. The policy was opposed to the policy of the Bank of England which desired a lower bank rate<sup>1</sup>

A high official in Perris tersely puts it thus. The quotation is given in his own words as the French language lends itself to great clearness in this connexion :—

'1°.—La tension monétaire, qui a si vivement frappé la Cité de Londres, ce printemps, n' a pas été créée par la Banque de France. Sa cause réelle consiste dans le phénomène de l'exporta

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(1) The Bank of France has agreed after very friendly conversations that if or when further gold is required it will be by previous arrangement with the Bank of England and on pre-arranged dates.

tion des capitaux de Londres vers la France. Exportation qui, surtout depuis le mois d'avril, après la réduction du taux officiel d'escompte de 5 à 4½, avait pris des proportions vraiment inquiétantes (plus de 5 millions de livres par jour). Le rapatriement des capitaux français, qui avaient émigré en Angleterre, l'afflux à Paris, de capitaux étrangers précédemment déposés à Londres, devaient avoir normalement pour effet de raréfier l'argent sur le marché anglais. La Banque de France a, pendant de longs mois, empêché cette tension des taux de l'argent à Londres en rapportant au marché anglais les capitaux que le quittaient c'est-à-dire en replaçant à Londres les livres acquises par elle et dont se débarrassaient les détenteurs, désireux d'obtenir du franc. Elle a consenti de la sorte au marché anglais un crédit de l'ordre de grandeur de 4 à 500 millions de dollars, grâce auquel la place de Londres, jusqu'en fin mai, n'a pas souffert des formidables retraits de capitaux provoqués par le rétablissement de la situation financière française:

2°.—Les dépôts de la Banque de France à Londres entretenaient sur le marché anglais l'illusion dangereuse d'une extrême facilité monétaire. On parlait d'un taux officiel de 4%, et c'est dans ces conditions, que la Banque de France a été amenée à renoncer, pour de très faibles sommes, à continuer sa politique de placements sur le marché de Londres et à prendre effectivement possession d'une partie des capitaux que lui étaient offerts, au lieu de les prêter à nouveau. Les livres rapportés par elle au marché de Londres, risquaient, en effet, d'être mis à la disposition de banques commerciales européennes, les empruntant à des taux maintenus trop bas par nos placements, finançant ainsi leurs transactions et libérant par conséquent leurs disponibilités propres qu'elles amenaient en spéculation sur le marché de Paris.

3°.—... La difficulté que nous avions était la suivante : l'afflux rapide de devises en France, loin de pousser les milieux politiques et l'opinion publique à stabiliser, paraissait une preuve de la possibilité monétaire de laisser encore les francs apprécier. Pour enrayer cette tendance, terriblement dangereuse du point de vue budgétaire, et du point de vue économique, il nous fallait donc faire cesser le courant spéculatif qui nous ramenait toujours les devises que nous replaçons à Londres en entretenant ainsi un volume de



crédits constant sur un marché que quittaient cependant des capitaux de peus en plus nombreux'.

An examination of French financial conditions at the present time suggests two conclusions. In the first place France, should stabilize the franc now. It would appear that this is in conformity with the Sergent Committee of Experts and to speak perfectly frankly, it is the view of the majority of financial experts in France to-day. This is also in harmony with the Genoa International Conference of 1922 whose Resolutions on currency and exchange are of first importance. The Committee of Experts at this Conference said 'we venture to suggest that a considerable service will be rendered both to its own internal economy and to the cause of European recovery by that country which after reaching comparative stability in its currency at a point so far below the old parity as to make return to it a long and painful process, first decides boldly to set the example of securing immediate stability in terms of gold by fixing a new gold par at or near the figures at which comparative stability has been attained'.<sup>1</sup> It is no longer with France the delicate question of how and when. There is no need of timidity in taking the plunge because the water is never so cold as it appears. Such a course of action will remove all inducement to speculators abroad to buy francs. It is clear as the noonday that speculators for a rise in the franc are sure to believe that a further appreciation of the franc will take place and while the franc is not stabilized, but merely pegged, it will not be possible to stop speculative purchases of the franc. The danger not merely to the world's currencies but to France herself by the purchases of gold for the pegging of the franc would end. As one familiar with the state of mind in France I realize that the financial problem is also a political problem. It may be that M. Poincaré or his party may wish to postpone stabilization until after the next elections. His past achievements merit much praise and such a question may win an election. Alas! were this so (which I doubt) it would remind one that even in France when politics enters the door, finance flies out at the window.

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(1). Cmd 1667 p. 66 Papers relating to International Economic Conference Genoa, 1922.

The second and final suggestion is that co-operation among central banks should be extended and that an understanding should be arrived at with regard to economy in the use of gold. The distribution of gold reserves to-day is much more uneven than before the war. The recent purchases of gold by France, and the agreement reached between the Bank of England and the Bank of France illustrates the importance of the closest co-operation. On the continent the policy of the New York Federal Reserve Bank in regard to gold is not understood as it ought to be. It is said, for example, that the United States, to avoid a rise in prices, will not allow gold to be exported readily to the Continent of Europe and that if Continental bourses attract gold by attempting a reduction in prices, New York follows the same principle. But this obscures the real policy of the Reserve Board as, for example, the policy in September last when rates of discount were reduced with the object of at least easing the European situation which would indirectly benefit the United States. Thus the Governor of the Philadelphia Reserve Bank (Mr. George W. Norris) said "Our main consideration is this : Great Britain has recently gone back to the gold standard ; Germany, Austria, and Hungary are stabilized ; Poland is about to be stabilized, while France and Italy are not. The United States with half the gold in the world is vitally interested in the preservation of the gold standard among nations. It is up to us to help these nations to get back on their feet when they have been forced to give it up through experiences of war or some similar cause.

"The situation in Europe is such that several of the great banks in England and on the Continent saw they would have to raise their discount rates unless rates over here were lowered. If they had been compelled to advance their rates it would have thrown a chill on business throughout the Continent and England. This, in turn, would seriously affect our export business with those nations just at a time when the volume of shipments of cotton, wheat, and other commodities is beginning. When one realizes the vast exports this country makes to Europe every year and takes into consideration the fact that the export price of cotton and grain and other surplus crops practically fixes the price of the whole crop, it may

be seen that any chance of advanced rates by foreign banks would seriously affect business here as well."

A Conference such as that which met Mr. Strong, Governor of the Federal Reserve Bank of New York, in July of this year when Mr. Montague Norman, Governor of the Bank of England, M. Rist, Deputy Governor of the Bank of France, and Herr Schacht, the head of the German Reichsbank discussed central banking matters is productive of the greatest good. It is only from such conferences that agreements regarding the gold situation and the movements of gold can be reached. Long range correspondence in currency matters is scarcely ever satisfactory. This conference clearly shows how important where the Genoa Resolutions on co-operation between central banks in various countries. Resolution 3<sup>1</sup> on Currency aptly phrases it thus : 'Measures of currency reform will be facilitated if the practice of continuous co-operation among central banks of issue, or banks regulating credit policy in the several countries can be developed. Such co-operation of central banks, not necessarily confined to Europe, would provide opportunities of co-ordinating their policies without hampering the freedom of the several banks'.

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(1). P. 60 Cmd 1667.

## NOTES

While the enunciation of the Darwinian theory has given rise to a heated controversy among Churchmen in England at the present time and while the nature and the functions of capital have formed the subject of denunciation on socialist platforms and in the socialist press for years, it is interesting to notice that in a booklet just published by Watts and Co., London, containing Prof. Sir Arthur Keith's address at the British Association, on Man's Origin, has been included that scientist's Essay on "Capital as a Factor in Evolution". This essay was originally contributed to the Rationalist Press Association Annual for 1925. The central idea of the Essay is extremely suggestive to the economist who is accustomed to trace the development of the various institutions and conceptions, with which he is concerned, through different stages. Capital in its essential form, is often regarded as a modern discovery, and Sir Robert has tried to show in the essay that in the evolution of man, 'capital' has been a factor of the utmost importance in making his emergence possible. Division of labour, co-operation, saving etc., are illustrated in text-books on Economics by reference to the behaviour of the lower animals. Prof. Keith shows how saving is found among the ancient people of Egypt who provided for their dead and is to be found also in the evolution of the animal world. "In the simple unicellular animals, such as the amoeba, certain granules are stored in the body; these granules we may truly regard as savings—food or fuel which the amoeba will presently utilise." As we ascend higher, we find that there is one kind of cell which has acquired the saving habit much more than any of the others—namely the cells of the female body which are to serve the purposes of propagation. This is true of man as of the lower animals. In all mammals there is added to the sheltered period of development within the womb the suckling period in which the young still lives on the mother's capital—her milk. She supplies the milk from the savings left over after her bodily needs have been satisfied. "The economic idea of capital is thus surprisingly reflected in the phenomena of the evolution of the animal kingdom. Economists

receive great help from the analogies supplied by Biology, and Prof. Keith's essay is, for that reason, helpful.

V. G. K.

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## THE EMPIRE MARKETING BOARD

The Secretary of the Empire Marketing Board, (2, Queen Anne's Gate Buildings), London, sent us a photograph shewing the Posters they are using for advertisement purposes. The photograph shews Posters that are really interesting educative and of great artistic merit, but we regret we cannot afford to reproduce it in the *Journal*.

One of these Posters deals with "The Rice Fields of India," with a descriptive letter-press, which we are printing below, and another deals with "The Tea Gardens of Ceylon" also with a letter-press. These Posters are painted by artists of acknowledged reputation, and are being displayed all over London and in the largest cities of the United Kingdom.

The object of the display is to bring home to the people of England by vivid pictorial appeal the importance of the work of their fellow British citizens in the Empire over-seas

### THE RICE FIELDS OF INDIA

#### *The Westward Tide.*

A flood tide of trade swings unceasingly to and fro between India and Britain. Night and day the westward tide is bearing home to you the Wealth of India—ship after ship laden with foodstuffs and with raw materials for your factories.

#### *The Eastward Tide.*

What does the tide carry back in exchange? It carries to India £82,000,000 worth of cotton goods and yarns, iron and steel manufactures, railway material motor cars, woollens—all made here by British wage-earners.

*When you buy Indian Goods, you help India and Increase Employment here.*

## THE TEA GARDENS OF CEYLON

*Once upon a time.*

In the reign of Queen Elizabeth an old couple were given some tea as a present. They ate the tea leaves in a sandwich, and threw the tea away. Fifty years later the first London tea-shop was selling tea up to £10 per lb.

*Now a days.*

Everyone knows how to make tea nowadays, though not everyone remembers to warm the pot first. You can buy within the Empire—from Ceylon or from India—teas that are both better and a hundred times cheaper than any Queen Elizabeth tasted.

ASK ALWAYS FOR EMPIRE TEAS.  
CEYLON SENDS YOU EACH YEAR £10,000,000  
WORTH.

EMPIRE BUYERS ARE EMPIRE BUILDERS

*Recruitment of Labour for the Assam Tea Gardens.*

We note here in under some of the salient features, of the working of the Assam Labour and Emigration Act, 1901 (VI of 1901), as amended by Act VIII of 1915, in the United Provinces for the year ending June 30, 1927.

The recruitment of labourers for work in the Tea cultivating area of Assam was carried on in accordance with the provisions laid down by Government in the year 1917. The recruits came from 18 districts. The total number recruited was 4005 as against 3,760 in the previous shewing, an increase of only 245. The greatest increase was noticeable in the Cawnpore, Gonda and Bahraich districts. This increase is attributed to the greater number of *Sardars* deputed for these districts by the various Garden Managers.

There was a considerable drop noticeable from the Gorakhpur district over the previous year, and this is ascribed to the good *rabi* harvest during the year.

Infringement of the rules were reported from the following districts :

Gorakhpur : A person was accused, and found guilty and sentenced for recruiting labour without a licence. It was found that recruiting by private persons of labourers as sawyers for the Assam forests had been going on in the district for sometime past.

Other cases do not call for any special notice.

S. K. R.

## INTERNATIONAL INSTITUTE OF AGRICULTURE, ROME

We received the following letter and advertisement from the general Secretary of the International Institute of Agriculture, Rome, but unfortunately for late for its purpose. We, however, are publishing it in our *Journal* to show how matters, and particularly matters relating to Economics are becoming more and more international in their scope. Some years back this was not the case. We feel that along with strong revival of *national* feeling the world over, the interests, and dealings of the peoples of the nations are becoming more and more *internationalised*:—

DEAR SIR,

The Committee of this Institute is about to make certain staff appointments of specialists in the the following branches,—rural economics, the trade in agricultural products, and agricultural statistics, as the result of an open competition based on the consideration of the qualifications of the various candidates.

The publication of a notice in the chief periodicals which deal with economic and similar questions would appear to be one of the best means of bringing the matter to the notice of persons likely to be interested. We should therefore be extremely obliged if you would be so good as to find a place in your journal for the attached notice relating to these appointments, leaving it to you to decide as to the exact form in which it should be published and the most convenient date.

I trust that you may be able to see your way to assist the Institute in the manner suggested

Yours faithfully,

*General Secretary.*

INSTITUTE INTERNATIONAL  
D' AGRICULTURE.

## NOTICE

### INTERNATIONAL INSTITUTE OF AGRICULTURE ROME

The Permanent Committee of the International Institute of Agriculture at Rome is prepared to receive applications for the following appointments :—

- 1 “ Rêdacteur ” specially qualified in Rural Economics
- 2 “ Redacteur ” specially qualified in the Trade in Agricultural Products.
- 3 “ Redacteurs ” with good general academic qualifications

The minimum initial emoluments are 22,750 liras per annum.

The travelling expenses (2nd class) of successful candidates will be repaid on taking up their posts. Members of the staff living at a distance of over 1,000 kilometres from Rome have a right to the payment once in three years of their travelling expenses to their native countries.

The appointments will be made as a result of an examination of the qualifications of the candidates, in which account will also be taken of their knowledge of languages.

Applications should be addressed to the Bureau des Personnel, Institut International d' Agriculture, Villa Borghese Rome, and must be received not later than 31st August, 1927

S K R.



## REVIEWS OF BOOKS

### RELATING TO INDIA

*Studies in Rural Economics—Vazhamangalam.* By P. R. VENKATA SUBRAHMANYAN. Published by G. A. Nateson and Co., Madras. pp. 115, Price. Re. one only.

This is the first intensive examination published of the economic conditions of a village situated in an Indian state. The name of the village investigated by our author is Vazhamangalam and is situated in the Kolatur taluk of the little state of Pudukkottai in the South of the Madras Presidency.

While reviewing another publication of this type in the last number of the Journal, we remarked that the available literature on the economic conditions in the rural parts of India is at best scanty, and that all such additions are truly welcome and more so when they seem to be the result of such care as our author has bestowed on this economic survey.

In the first two Chapters after giving us a general idea of the surroundings of the villages, the author has described the physical features of the village itself, in the third Chapter the various classes of the lands found in the village are discussed and a great deal of useful information about the rents and revenue paid for the various classes, the nature of holdings, and the suitability of the different classes for the various Crops is given. In the fourth Chapter, the Crops and cultivation of the village are described and it is here that we find a new feature introduced in this village Survey, namely the details about the cultivation of individual Crops, and the systems of rotation of Crops followed. In Chapter V details about the live stock of the village are given while in the next Chapter the people of the village in their quantitative and qualitative aspect are assessed. In all there were ninety-one families living in the village in the year 1921, and the total income of the villages from all sources in a year amounts to Rs. 23,622, thus giving us an income of about Rs. 260 per head per annum. According to the estimates of the author the average annual expenses on food, clothing, festivals, marriages and funerals and other expenses were Rs. 202, 47, 4, 10 and 4 respectively, thus giving us a total annual expenditure of Rs. 267 per family. 'There is a deficiency per family of about Rs 7 in an average year. Including the interest charges on debt which comes to about Rs. 17/6 per family and the total deficit comes to about Rs. 24.' On this the author remarks that "the above calculations

are based upon the returns of an average year," implying thereby that the state of affairs in indifferent years is much worse. We wish that in this connection the author had given us actual figures for a number of years, and that would have enabled the reader to form an idea whether the people are progressing towards prosperity or growing poorer and poorer. Here we have some live descriptions of the fests and feasts that go round the year in the village. In the seventh Chapter the question of Indian Exchange in relation to rural prosperity is discussed. The author like ourselves supports the now established rate of 1s. 6d. and that because "the rate represents the ratio about which exchange is at present established and on which price levels and wages have been established." In the last Chapter we have the opinions of the author on the problems of rural re-construction. Here the discussions is rather too brief and therefore sketchy but the author has arrived at the true remedy, which is "the imparting the right of reason and understanding into the minds of the people by a natural and healthy system of education;" and "Conservation, economy and efficiency in making the most of the resources of the land and labour now existing." The work done shows both care and judgment and should be read by all students of economic conditions in rural India.

B. G. BHATNAGER.

*The Economics of Leather Industry—With special reference to Bengal.*

By B. RAMACHANDRA RAU, M. A., L. T., Lecturer in Economics and Commerce, Calcutta University, Calcutta University Press, 1925. pp. 184.

We have come to read Mr. Rau's writings with interest and profit and this book has not proved an exception. Such a study as he has given us is of great importance, since it deals with Economic matters that are of basic concern in the welfare of the people of the country. Though Mr. Rau has mainly confined himself to the Presidency of Bengal, but much of what he says would be true of the whole of India as far as this particular industry goes, and people interested in *Leather* would do well to read what he has written in this book.

Mr. Rau holds, and we believe correctly, that the leather industry should be regarded as a "key industry" of the country. Leather is an article that is practically in universal demand, in one form or another, in all the great industries that we can think of, and the *military* importance of the commodity cannot be over-emphasized. For instance, it is obvious that under modern conditions an ill-shod army could not go far.

We think Mr. Rau has placed his finger on the weakest spot, not only in connection with the Leather industry, but also in regard to similar indus-

tries when he writes: " Mere manual dexterity, hereditary maxims or even industrial experience of the *chamars*, and *mochis* will not suffice for the exigencies of the present situation. They must become men of science, intelligent students of chemistry and be familiar with the writings of Dr. Proctor or Dr. Stiasny." And further when he very truly remarks. " The industrial backwardness of India is best illustrated by the condition of its leather industry. A defective knowledge, the use of inferior methods, the lack of flexibility, versatility and obstinate industrial conservatism—these are the failings deadly in effect that continue to undermine industrial and commercial progress in the leather industry. These are the real enemies of Indian Industrial advancement."

Mr. Rau informs us that the Economic division of the leather industry in its widest sense consists of (1) the export of hides and skins, (2) the curing and tanning of leather, (3) the manufacture of boots, shoes and other articles.

The main source of supply of hides and skins comes from animals that have died of disease, old age or injury. The majority of the Indian cattle are weak, lean and poor in growth. Hence the raw hides lack in strength, compactness and thickness. There is no slaughtering done for hide alone. Branding of cattle is another process which deteriorates the hides. This branding reduces the value of the hide by one to three rupees on each hide.

Mr. Rau shews us how the very thoroughly organised German and American competition but especially the former, has effectively strangled the unorganised leather industry of this country. He says that it would be unstatesmanlike to allow this important industry to follow its own course. Then the processes of skinning are defective, and inflict heavy Economic losses, while that of curing and tanning are crude in the extreme.

An important change is noticed in that indigenous village tanning is fast disappearing. The agents of the large tanneries now buy up hides at slightly higher price and the agents of the exporting firms do likewise. This is vitally affecting the village Economy of the country-side. The village *chamars* being restricted in their tanning business solely on account of the shortage of hides and skins are taking to agriculture and the *chamars'* wives are seeking occupation in mat-making, wicker-work, basket-making and other articles of domestic use. The *chamars* are either migrating to the cities or are becoming agricultural labourers. The illiteracy of the *chamars* is a dead-weight that keeps them down, still the grip of the Mussalman middleman and the village *Sahuḡar* seems to make the situation hopeless. Co-operative effort may bring him economic salvation.

Calcutta is the largest hide market of India, and it exports about 72 per. cent. of the raw hides exported from this country.

The system on which the hide and skins export trade runs, seems to be as follows: The *arathdars* of Calcutta make advances to the *baparies* usually against railway receipt upto 80% of the value. They make us charge for the godown accomodation. The advances are sometimes made without charging any interest. The *arathdars* get a commission of one rupee eight annas per 20 pieces of hide and one rupee eight annas per 101 pieces of goat skins. The *baparies* exercise great influence on the selling price of these hides.

The shippers visit the *arathdars* godowns and select the hides offered for sale. A certain price is offered for the whole lot *i.e.*, all round parcel, containing different qualities of hides. The selection of the hides and the work of classifying is done by Mohammadans who are generally paid about Rs. 50 per month by the shippers.

Mr. Rau reminds us that sixty years ago there was no export of raw hides and skins. The whole supply was locally used up, and we presume a good deal went to sheer waste. The Merchants of Hamburg and Bremen gradually, by skillful methods and persistent efforts practically monopolised the whole of the export trade. They did however try to improve the methods of flaying and curing of hides as practised in the country.

A few tanneries are working on modern lines in Bengal, employing technical experts, using machines and adopting chemical processes for chrome tanning. But their number is very small. As for manufacturing boots and shoes not a single big factory exists in the Presidency nor are there any other large scale art industries.

He shows how since 1916, the Government of India, due to the exigencies of the war, took up in its entirety the control of the export trade in hides and skins, and how the action of the Indian Munitions Board helped in the development of the leather industry in its various branches. In his Chapter entitled, "The state and the Leather Industry" he discusses the various steps. Government could adopt to help this vital industry.

The book is altogether interesting and suggestive and would repay reading.

The Chapters are: I. The Economic Importance of Leather: II. What is Leather Manufacture? A survey of the Indigenous Leather Industry; III. Causes of the Decline of the Indigenous Leather Industry: IV. The Export Trade of Raw Hides and Skins; V. Lessons from the Export Trade; VI, The Possibility of a Successful Tanning Industry in Calcutta;

VII. Some obstacles in the way of Tanning Industry; VIII. The State and the Leather Industry; IX. Leather Manufacture; X. Tariffs and the Leather Industry; XI. The Manufacture of Tanning Extracts.

S. K. RUDRA.

*The Financial System of India.* BY MR. GYAN CHAND, M. A., Professor of Economics, Patna University, Patna; Published by MESSRS. KEGAN PAUL, Trench, Trubner and Co., Ltd., Broadway House, 68-74, Carter Lane, London, E. C. 4; pp. XIX+444, Price 10 s. 6d.

Financial Administration is an important division of Public Finance. But the subject has not been given as much attention as it deserves. While the number of books on Taxation is very large, those on Financial Administration are very few. For the study of this subject with regard to India we had to depend to a great extent on Mr. P. K. Wattal's *The System of Financial Administration in British India*. Professor Gyan Chand has done a real service by writing another good book on the subject. The object of the book as stated by the author, is to describe and examine the working of the Indian Financial System. The author has criticised the working of the present system with moderation and has made constructive and useful suggestions which deserve serious consideration.

The book contains 14 Chapters and 10 appendices. The most important problems dealt with are Preparation of the Estimates, Voting of the Budget, Relation of Central and Provincial Finance, the Treasury System, Public Accounts and Audit, Public Debt, Local Finance, Separation of Railways from General Finance, etc.

The author has rightly emphasised the necessity of the study of this subject by the members of Legislatures in India. He remarks, 'much good cannot come out of the enlargement of the financial powers of the Legislatures unless among the members there are some who make the study of the financial problems their special concern' (Page 86). He believes that there is no justification for withholding public borrowings from the control of both Central and Provincial Legislatures. With regard to Land Revenue Administration he aptly remarks 'The low-paid functionaries who represent the Land Revenue Department in the villages are, as is very well-known, petty tyrants whose evil practices it is very difficult to detect and suppress, but of the existence of which every one, who knows any thing about the villages in India, is generally aware.' (Page 191).

The main defects of the Indian financial system, as pointed out by the author, are the existence of far reaching control by the Secretary of State for

India over the finances of the country, the insufficiency of legislative control over the grant of funds, lack of opportunities for the proper examination and discussion of estimates by the Legislature, absence of Chief Revenue authority in the Provinces and general in efficiency of the revenue collecting departments non-existence of audit of receipts and stores, lack of independence of the audit as a whole and combination of audit and account duties. Those who want to know the methods suggested by the author to remove these defects will be well advised to read the book themselves.

The author has followed a very narrow definition of productive loan and we do not entirely agree with him when he says 'A loan, the proceeds of which are spent for purposes which are not directly remunerative, but which may be calculated to increase the economic resources of the country by improving the intellectual or the physical capacity of the people, does not become productive on that account.'

We congratulate Professor Gyan Chand on writing this excellent book and we strongly recommend it to all those who take interest in the study of Public finance with special reference to India.

DAYA SHANKAR DUBEY

*Economic Annals of Bengal.* By J. C SINHA, MACMILLAN and Co., Ltd, 1927. pp. 301 Price 12-6 net.

This work traces the Economic history of Bengal during the period 1757—1793, that is, the period that intervened the Battle of Plassey and the end of Cornwallis' Governor-Generalship. This period of about 35 years witnessed tremendous changes in the Economic situation of Bengal in every sphere, in agriculture, in manufactures and in commerce. The work outlines these changes very pointedly. The author has spent much time and erudition in extracting from practically all the available material the information which he gives us in this work, and this is excellent indeed. He has dealt with the period in an unbiased spirit, not trying to prove some pre-concieved theories, but attempting to describe what his sources bring out. The result has been a scientific contribution on the production of which we heartily congratulate him. It has been a treat to go through the pages of this really sound work.

For purposes of treatment the author discusses the period in three chapters entitled 'the English in Power without Responsibility 1757-1772', 'the Economic Reforms of Hastings, 1772-1785, and 'the Ameliorative Measures of Cornwallis, 1786-1793.' These chapters are followed by another in which he sums up his conclusions and are preceded by one which gives a bird's eye view of the Economic position of Bengal from

1707 to 1757, so that the readers might clearly grasp what the change of masters in that province which the victory at Plassey led to, resulted in from the Economic point of view.

1707-1757. The period 1707-1757 was one of prosperity for Bengal. The disruptive forces that broke loose after the death of Aurangzeb did not touch that province and it enjoyed peace under her Nawabs—a peace that was conducive to her economic well-being. In agriculture there was on the whole nothing new to be noticed. The ryot lived on as of old, cultivating his land according to the traditional methods and for traditional crops. The land system did not greatly alter. No doubt, there were “occasional and local scarcities and floods,” yet Bengal was practically free from great natural calamities like the famine of 1770.” (P. 30). As to manufactures, they were in a flourishing condition. The chief industry was the manufacture of cotton goods. Other industries were silk, sugar, jute, salt and opium. There was an extensive trade carried on with Europe and other foreign countries like China, Turkey, Arabia, Persia, Tibet, Java and the Malaya Archipelago. The European trade was mainly in the hands of the English, the Dutch and the French. But the French trade began to decline after 1741, and received a crushing blow during the seven years War 1756-1763. The Dutch, thus, were the only serious rivals of the English and their trade “seems to have often been larger than that of the English during the first half of the 18th century.” (P. 22). The chief exports of the English were cotton and silk piece-goods, raw silk and saltpetre. The imports consisted mainly of bullion, which formed 74% of the total imports, and broad cloth and other woolen goods, leads, iron, tin, copper, quicksilver and various minor items (P. 23). There was also a good deal of inland trade between Bengal and other parts of India.

1757-1772. To this period of Economic prosperity succeeded the years 1757-1772 which constitute “the darkest period in” the economic annals of Bengal.” During these years the English were in power without responsibility. The victory at Plassey (1757) made them the *de facto* sovereigns of Bengal although the reins of Government were in the hands of the puppet Nawabs whom they made and unmade at will. This system of Government proved most baneful to the economic well-being of the Province. First, there began a regular drain of capital from there to England—a drain for which the country received almost no equivalent. The drain, which was due partly to the exports of silver to China to provide funds for the Company’s China investments partly to the remittance of private fortunes to England, and mainly to the investment of the surplus territorial revenues, was, the author makes it clear in the form of goods and not in

the form of bullion as is mistakenly thought. The total wealth drained away from Bengal "appears to have been something like 38 million pounds sterling" (P. 51) during the years 1757 to 1780: This, it should be pointed out, meant very much more in terms of goods than it does now. Its effects can be easily imagined: briefly it greatly impoverished the province. Then there started the abuse of the Company's *dastaks* or pass-ports on the part of its servants on a scale unheard of before—an abuse which resulted in practically the entire inland trade of the province passing into their hands. They "began to carry all conceivable merchandize from one part of the province to another duty free, while the goods of the country merchants were taxed heavily by the Nawab's Government" (P. 69). But this was not all. The Nawab complained in 1762 and this is supported by contemporary accounts, "forcibly take away the goods and commodities of the reiat, merchants, etc., for a fourth part of the value, and by ways of violence and oppressions, they oblige the reiat, etc., to give five rupees for goods which are worth but one rupee" (P. 71). Then, again, the Company partly due to its political power and partly to the practice of providing "investment" out of the surplus of territorial revenues, came to have monopolistic control over the chief articles of export. It was oppressions connected with the financing of this export after 1753 by the Agency system, that gave rise to stories like the cutting of the weaver's thumbs. Although the author proves the story to be unfounded, yet there is no doubt that there was widespread oppression and it "proved so destructive of industry" that many weavers gave up their profession" (P. 85). As to agriculture, it fared no better. The amount of revenue collected was "larger than was ever collected in Aliverdi Khan's time," and the *Amls* or Collectors who were no better than farmers of revenue, made by their extortions, the lot of the ryots so miserable that many of them "fled from their homes in despair."

Thus there was coercion and oppression all around. Agriculture and manufactures both declined, inland trade suffered, unemployment increased, and dacoity sprang up. As if this was not a sufficient punishment for the sins of the people, there came in 1770 a famine of such unusual severity as to carry away one-third of the population and dislocate agriculture, manufacture and trade still further. There was, however, one good that resulted from the events of 1770. It was that the Company assumed in 1772 the *Dewani* in name and in fact.

1772-1785. To evolve order out of this Economic *chaos* was no easy task for any man, and Warren Hastings, to whose lot it fell in 1772 to guide the destiny of Bengal, had to encounter exceptional difficulties. His



achievements fell much short of his aims, still, he made commendable efforts to improve the economic situation, and, these brought about some good. He abolished the use of the *dastaks* by the Company's servants and "thus removed one of the sources of unfair competition in inland trade". Then, by the Customs Regulations of 1773 (P. 155) he removed some of the restrictions, which were many, on inland trade, and thus further helped the traders; and, in the same year, his Council adopted resolutions (P. 182) which aimed at bringing about liberty for weavers and other manufacturing labourers to work for whom they pleased, although, it must be said that in assuming the monopoly of salt (1772) and of opium (1773) he established a system of production which the resolutions were meant to abolish. Then, again, by the Regulations of 1772 (P. 190) which fixed five years as the period of farming for land revenue he tried to ameliorate the condition of the ryots. He also brought about some changes for the better in revenue administration. In practice, these measures bore but little fruit: some of them were more honoured in their breach than in their observance.

During Warren Hasting's administration the import trade of the Company remained unchanged in character. The chief export was cotton goods, although the number of pieces exported began to fall after 1779. This export led to a complaint in 1782 from the British calico printer and in deference to it the Directors resolved "to with-hold the importation of printed goods from Bengal for a term of four years" (P. 177). Other articles of export were raw silk, and saltpetre and drugs under which indigo for the first time appeared. The production of indigo was started in Bengal in 1779, and after some years it made so much progress that "in 1810 out of a total import of 6 million lbs. into Great Britain, more than 5 million lbs. came from Bengal." (P. 179).

1786-1793. Cornwallis built on the foundations laid by Warren Hastings. He adopted measures which to a large extent, brought about liberty of trade industry, and labour. The liberty of trade was achieved by the abolition of Government customs duty from the end of June, 1788, and by declaring the right of zemindars to levy duty on goods passing through their estates as illegal in 1790; that of industry and trade resulted from the Regulations for Weavers passed in 1787 and re-enacted in 1793, and Regulations for manufacturers of salt adopted in 1788, which both enacted in effect that the workers after discharging their debts and engagements, if they were under any, were at liberty to work for whomsoever they pleased. "These measures, though but partly successful, were the first systematic attempts to restore economic liberty to indigenous labour" (P. 267). His measure that affected agriculture and that with which his

name is chiefly associated, was the permanent settlement of land revenue in Bengal.

As to foreign trade during the period of Cornwallis' Governor-Generalship, the principal imports from and exports to England were the same as before, although on both sides some new items made their appearance and some old items began to loose ground. Among the former, English cotton goods on the import side and jute and hemp on the export side were to be seen; and, amongst the latter raw silk and cotton yarn among exports and woollen goods among imports might be mentioned. All these items though their appearance or shrinkage did not matter very much during this period are yet significant as pointing the direction in which the wind was to blow in fact was already blowing, and this was that Bengal was to cease to be a manufacturer of goods and to start to be a supplier of raw material.

The keynote of the period covered by the work is drain of capital from Bengal to England and decline of industry in that province. We have noticed the amount and causes of the former under the period 1757-1772. As to the latter. It came about in the following way. The first blow had been struck by the Acts of 1700 and 1720 which greatly restricted the English market. Then the monopolistic control which the Company came to have over it and the oppressions in which the control resulted prostrated it. The French Revolution and the Napoleonic Wars cut off certain of its limbs by shutting the Continental market to its entry. And lastly the industrial revolution in England consequent upon the inventions of machinery and discovery of power to drive that machinery that took place in that country in latter half of the 18th century and the first quarter of the 19th century, and that turned her into the workshop of the world, annihilated it by wresting from it even its home market. It need not be said that the consequences of the decline were awful. The author sums these up as "the destruction of the industrial spirit of the people" and "a fatal dependence on agriculture."

G. D. KARWAL.

## REVIEWS OF BOOKS

### ENGLISH AND FOREIGN

*Profits*, by W. T. FOSTER and W. CATCHINGS PUBLISHED by MESSRS. HOUGHTON MIFFLIN CO., NEW YORK, for the Pollak Foundation for Economic Research. pp. 460; Price 4\$

The chief argument of this Book is that progress towards greater total production is slow because consumers' buying does not keep pace with production. Firstly because industries do not disburse to the consumers enough money to buy the goods produced; and secondly because the consumers if they wish to save cannot spend even as much money as they receive. The authors believe that the value of money is continually expanded to make up the deficit, but they think that the expansion of money takes place in connection with production and that the goods produced are therefore worth more than the money which is in the hands of the consumers. They claim that corporations use their profits for two purposes, to buy goods already in the market and to bring about the production of more goods, as a result of which shops and factories are stocked with goods which cannot be bought while we are building factories to produce still more goods. This leads to the restriction of out-put and to struggles between Labour and Capital which in their opinion are entirely unnecessary. The authors believe that at the same time we have machinery idle, labourers idle who might work the machines and goods lying idle which might be bought by the labourers if they were employed, and all this mal-adjustment to be due to our system of taking profits.

In our opinion the book is not really a treatise on profits so much as an attempt to furnish an explanation of the causes of all our economic mal-adjustments. It might better be called, *An analysis of our industrial system and its failures*. The authors reject practically all the best known solutions of the problem of mal-adjustment. They also reject most of the causes of profits which are commonly put forward, nor do they believe in any socialistic solution. They believe that the solution lies in the better development of our present industrial system, but they do not offer any solution. They merely content themselves by saying that the solution is sure to be found. It appears to us that if the cause of profits were really what the authors suppose they would have been able to point out where mal-adjustment arises more definitely and to suggest at least the direction in which a remedy could be sought.

The book is really a re-statement of the old theory of Gluts clothed in modern statistics, but it rejects almost all the causes of periodic inflation and depression which have been so well discussed by Mitchell, Pigou and others. Some twelve arithmetical cases are given which the authors believe prove their contention, that the whole trouble is the production of goods which must be sold for more money than consumers can lay out in purchasing the goods. These cases for the most part do not take account of dynamic changes which are brought about as the result of inventions. They hardly consider inventions as a source of profits. They do not seem to realise the part played by inequality of wealth in diverting our resources from the production of goods which most of the people could buy.

The authors think that that purchasing power falls short by the amount of the savings of industries and consumers. If all these savings were in the form of hoards their theory would certainly hold, but if these savings are used to employ labourers to produce further means of production, they surely pass into the hands of labourers who are consumers. Even if there is some delay in further construction and operation of factories the money is kept in banks which loan it out to be dispersed by trade and industry. The expansion of credit if properly controlled will only supply services to facilitate the adjustment of demand and supply. Marshall pointed out long ago that society alternately creates too much capital and too much Labour. When Capital increases too much the rate of interest falls and it becomes more profitable to consume than to save so much. Certainly, if too much is saved labourers will not be able to buy all that they have produced and a period of buying more and saving less must follow and the immobility of labour frequently results in unemployment and inability to buy at this very time. The authors have written a very interesting book which will doubtless help a great many students of Economics to follow more clearly the workings of our industrial and financial mechanism. Their contention is certainly a part of the truth, but does not deserve the importance which they have given it, and in particular they have confused the periodic fluctuations which might occur in a country which was not progressing in wealth with the adjustments which are made necessary when inventions take place rapidly, so that great profits are made to the advantage of the consumers in general, which often cause hardship and loss amongst the labourers and employers who are temporarily displaced. The book has a large number of interesting charts and statistics and is well worthy of a place among the pollack publications.

C. D. THOMPSON.

*"The Economic Position of Persia"* by MOUSTAFA KHAN FATEH, M.A.—Published by P. S. KING AND SON—price 6s net—pp.-98

"Persia" says the author is like a hungry person who has plenty of food in another part of his house but is unable to partake of it because of his physical inability to walk". Such is the lamentable economic state to which Persia is reduced on account of the lack of efficient means of transportation. It seriously delimits the exportation of Persian raw materials to the outside world. Her trade has not only been practically at the mercy of the Russian Government but she is forced to export to European countries mostly industrial raw materials such as opium, tobacco, cocoons, etc. "As the author says their comparatively small weight in proportion to their value compensated for the heavy transportation charges in Persia and made their export profitable". Even the industrial situation has been gravely affected by the inability of the country to import raw materials from outside and manufacture them into finished products for her use. The only industrial export that Persia could develop under such conditions was carpets and the recent war fortunately gave scope to the export of petroleum products. Hence the author's remark that "Persia must have railways at once or else disappear from an economic point of view" is amply justifiable.

In addition to this difficulty the financial and political burdens under which she laboured throughout the 19th century complicated the whole situation so that we notice a decline of population, economic retrogression, and exclusive dependence on agriculture. Economically speaking "Persia is bankrupt in the sense of production". The author rightly recognises that the political influence of the European Imperialistic powers impeded her economic growth. The right to levy and independent tariff to suit young Persia's increasing needs did not exist and although the recent American Financial Mission has succeeded in restoring order out of financial chaos Persia still lacks indigenous capital.

With declining population, anti-economic social habits, traditional liking for immemorial methods and antiquated machinery, lack of capital on the part of the peasants and lack of steady water supply as a result of inadequate irrigation arrangements, agriculture in Persia has not made rapid strides. The agricultural products such as cereals, rice, sugar, tobacco, opium, timber, cotton silk, fruits, fisheries, the vine, horses, hides and skins are briefly reviewed. The possibility of developing agricultural production consists in the adoption of agricultural education, seed selection, the use of modern machinery, the development of an irrigation system, medical assistance to rural folk and sanitation, universal inoculation of the cattle against

rinderpest, the use of chemical manures, and above all a good system of modern transport which pays equal attention to roads and railways.

Coming to the mineral industries the lack of capital and technical knowledge have acted as terrible handicaps in the past and if young Persia hopes to profit by the mineral resources improved means of communications, cheaper fuel and modern methods of tapping and refining the ores are essential.

Unfortunately for Persia it is not the people alone that are financially bankrupt the financial position of the State is not very encouraging. In spite of the steady evolution in finance under the modern Constitution and in spite of carrying out the means of financial reform suggested by the author (page 97) the probable surplus would be 5,000,000 £ which can be earmarked for the payment of interest on foreign loans that may be floated to finance the suggested schemes of development, namely, railway construction and expansion of irrigation and public works. As banking machinery has not developed to any appreciable extent any dependence on internal capital is futile and would retard the economic development of the country. Hence the author proposes to call in the aid of foreign capital and enterprise and the main gist of the book is to place the scope and possibility of the utilisation of Persia's raw materials and industrial opportunities before foreign capitalists. If modern Persia, which at present resembles 16th century England, is to take forward strides in economic progress this laudable ambition can be realised by "adopting a liberal attitude towards foreign capital, foreign skill and enterprise, and enlisting their co-operative aid in the economic development of the country".

The book no doubt achieves the purpose for which it is written. In spite of the lack of detailed statistical tables, which ought to have been used by the author as weapons to drive home his conclusions a fairly accurate glimpse of modern Persia's man power and its natural resources can be obtained.

But reference has to be made to one serious omission by the author. Except the vague phrase "compatible with the interests of Persia" no other limitations are to be placed on the entry of foreign capital and enterprise to help Persia. It is curious to notice that aware as he is of the "benumbing" influence of foreign capital and political power of Imperialistic nations, he nowhere proposes any safeguarding measures to dilute the insidious influence of external capital on the course of future economic and political development of the country. Perhaps the author is oblivious of the fact that "loans and railways are some of the most refined modern method of annexation."

B. RAMA CHANDRA RAU

*Population Problems in the United States and Canada.* Edited by LOUIS. I. DUBLIN. Houghton Mifflin Company, Boston and New York. \$ 400.

The book is a collection of 19 papers originally presented at the 86th Annual Meeting of the American Statistical Association and deals with the problem of population in North-America from various points of view. All the papers naturally are not of equal merit, but there are a few which are of outstanding quality. The two most noteworthy are by Professor Wolfe on "The Optimum Size of Population" and Mr. Goldenweiser on "Immigration and National Life". Two other papers which need special mention are "Effect of the Health Movement on Future Population" by Professor Holmes and "Family Allowance System and the Future of Population" by Professor Douglas. The introductory paper of Dr. Dublin breathes a very liberal spirit and directs the attention of the reader to the peculiarities of the American problem.

The book, inspite of being the work of nineteen different persons, belonging to several distinct professions, possesses a fundamental unity: All the writers are believers in the necessity and desirability of the control of population and they all belong to the optimistic school. However, the book does suffer from some of the defects which are almost inevitable in a collection of papers. Certain aspects of the question are not dealt with at all, and there are others which are referred to only in passing. As a matter of fact the book deals with the problem of population among the whites only and has nothing or very little to say about the problem among the Negroes or about immigration of the orientals—a question in which we in this country are so deeply interested. Moreover, there is no satisfactory general treatment of the problem: Almost all the papers deal with some particular and often very narrow aspect of the problem—, which makes a large portion of the book uninteresting especially to non-American readers. All the same, if a reader has the perseverance to go through the whole book, he will have a good insight into the American mind and he will be in a position to understand the mentality behind the recent restrictive immigration legislation in America.

The problem in North-America is essentially different from the problem either in the old countries of Europe or of Asia. It is dominated by the immigration question. Both Canada and the United States of America—the latter, of course, to a much smaller extent now—are in need of immigration. But neither of them believe in the open-door policy. In the first instance, they do not want any "unassimilable" Orientals. No reasons are given for the exclusion of Asiatics in the book, except what the use of the adjective

(unassimilable) may imply. However, it appears from Mr. Goldenweiser's paper that racial prejudice is at the bottom of this policy of exclusion. There is no question of racial inferiority. As Mr. Goldenweiser puts it, "the Chinaman, the Arab, the Hindu, and even the Negro, need not fear the evidence of history. In religion, morality, art, literature, philosophy, social form they have achieved solutions and established values which can stand comparison with those of any historic people." Mr. Goldenweiser also makes short shift of the argument of cultural uniformity. He writes:—"Cultural diversity, the coming together of different outlooks and traditions, the juxtaposition of different standards, have always fostered greater objectivity, a liberal attitude towards men and things, a toleration of standards and habits other than our own, and greater cultural vitality and creativeness." Secondly, they wish to confine immigration, as far as practicable, to peoples of North-Western Europe or persons of the Nordic stock. Restrictive legislation of 1921 and 1924 was passed under the influence of what is now called "The Nordic Myth". This doctrine asserts the superiority of the Nordic over the Mediterranean and the Alpine subracial stocks of Europe and teaches that the Nordic alone possess "in an eminent degree those hereditary qualities which stand for military valor, political competence, and 'character'". This is supported by both biological and psychological arguments. Some biologists believe in the complete isolation of the germ-plasm and its immutability and permanence and its imperviousness to all educational and environmental influences. Consequently, "if some of the immigrant groups . . . are . . . the carriers of inferior germ-plasm, then their arrival must lead to national deterioration." During the War, psychological tests were used by the War office to grade individuals into classes. These tests revealed surprising variations in mental capacity between native born and foreign born Americans, between foreign born of Western Europe, and those of Eastern Europe, between American Whites and American Negroes. And it was further held that these psychological capacities were previously hereditary and were only slightly influenced—if, at all—by education or training. The psychological tests thus had the effect of reinforcing belief in the superiority of the Nordic people. Mr. Goldenweiser has shown conclusively, by submitting both the biological and psychological theories to careful and critical examination, that belief in Nordic superiority "is a product of prejudice and uncritical thinking, not of observation and objective inference." Indeed, the attitude taken by Mr. Goldenweiser is surprisingly advanced and absolutely free from all rational bias and he suggests the only national and sound solution of the Immigration Problem, though, I doubt, if any American or Australian of position and authority would subscribe to it. He demonstrates clearly that it is not possible



to classify nations into inferior and superior and concludes that no "adequate immigration policy can result from a narrow national outlook. Factors of international concern are involved in the movement of individuals from country to country. . . . . If immigration is to be controlled, it should be by means of international agreements which take into account the interests of all nations involved"

\* There is an important difference in the restrictive policies of Canada and the United States of America. "The United States has established a *quota*; no matter how desirable the individual of a given nationality may be as a prospective citizen, he cannot come in once the *quota* has been filled. On the contrary, Canada's restrictive policy is not numerical or quantitative, but qualitative, being based on occupation and general suitability, the latter, of course, to a certain extent measured by country of origin." In the United States also persons are advocating the adoption of qualitative tests. Mr. Husband in his paper on "A Rational Immigration Policy" recommends "supplemental legislation which would somewhat relieve the rigidity of the *quota* system, chiefly with a view to adjusting immigration to indisputable economic needs."

Connected with the problem of immigration is that of assimilation and the creation of the American Type. As a result of extensive enquiry, Mr. Ales Hrdlicka, Curator, Division of Physical Anthropology, United States, National Museum has come to the conclusion "that the white people have approached the formation of an American Type." the characteristics of this type, which "is not Nordic" but "like the British, . . . an intermediate type" are depicted by Mr. Hrdlicka in his paper on page 156 of the book.

Although there is no immediate danger of over-population in North America, the question is beginning to attract the attention of serious students. A number of writers have co-operated to investigate the extent of natural resources of the United States and the number of people that can be supported; and Professor Wolfe, as already stated, has written a very able paper on the optimum theory itself. He believes "that the public will understand the idea of an optimum relation between numbers and resources, when it is adequately presented, and that the theory of optimum can be made the basis for a change in popular attitude towards the dangers of over-population." But Professor Wolfe is not content to preach only the optimum theory. He goes further:—"A wise people, preferring more leisure to maximum income, might elect to fix its numbers at a point below the physical optimum." And he enumerates the advantages of such a course of action. He writes: "Increasing density means diminution of

freedom, more intricate and expensive organisation, loss of community, self reliance, and the multiplication of centralized and pre-emptory social controls. It means also . . . . . a distinct aesthetic loss, at least to those who do not judge the beauty of landscape by the amount of corn and hogs raised on it, and who still hope that some of our wild life and wild places may be preserved. In any case, birth-control in America is being practised on a large scale, especially in the cities. As pointed out by Dr. Dublin, within fifteen years there is a drop of 30 per cent in births in the city population in the United States—which cannot be accounted for on any other hypothesis. He writes: "Every doctor, every nurse, and every social worker knows how powerful is the influence of birth-control at the present time." And he asks his countrymen to "be prepared at a comparatively early date for a stationary population." However he concludes that "Probably nothing we can do will alter the tendency among the great mass of Americans to limit the size of their families." Even the family allowance system will not produce the contrary result.

There are, however, two dangers to be taken into account. The first is emphasised by Mr. W. S. Thompson in his paper on "Natural Increase of Population. He concludes: "There is a decided differential between the birth-rates of different classes of the population . . . . . the hand-labouring classes of our cities are contributing more than their present proportion to the next generation, while the clean-handed workers, particularly the highly educated and more successful among them are not reproducing themselves, still less adding to their numbers." This is regretted especially by "Nordicising enthusiasts" because the classes that have a higher-birth-rate do not belong to the so-called Nordic stock, but to the Alpine and the Mediterranean stock. Two effective answers are given in the book to this objection against birth-control: One is by Professor Mac Iver of Toronto, who shows that there is a tendency towards convergence of classes in this respect. He says, "Our argument has been that the fertility rates of the more prolific will approximate those of the less prolific." And in order to hasten this result he advises that "the information and guidance in respect to birth-control which is possessed by the educated and the well-to-do should be deliberately provided for those who lack such advantages." Dr. Dublin tackles this question from a different and a broader point of view. In the first instance he points out that there is no sufficient evidence "to warrant the sweeping conclusions . . . that certain racial elements in our national life are vastly superior to others." Secondly, he characterises the fear—"that the country is headed for disaster because of the greater fertility of the 'masses' as contrasted with that of the 'classes'"—as exaggerated, due to "aristo-cratic bias" and "almost total

disregard of the influence of environment and tradition on our conduct and achievement." It is, moreover, a direct challenge to our best ideals of democracy and religion." Dr. Dublin believes in "the ability of ordinary people to give birth to children capable of the highest achievements as opportunity and environment release their power." "Throughout all ages the leaders of mankind have come predominantly from homes which at first sight seemed most unpromising and commonplace. Will not the leadership of the next generation come, as it always has in the past, from that source?"

The second danger is dealt with in the following manner by Professor Wolfe:—"Many people fear birth-control because they are told that it will increase extra marital immorality. They do not stop to consider whether if this were so (which is open to doubt) it might not be a low price to pay for the moral advance gained by avoiding the hideous immorality of enforced maternity, and by easing that population pressure which bids fair to be a fruitful cause of international discord."

GURUMUKH N. SINGH

*Four years of Fascism.* By GUGLIELMO FERRERO, translated by E. W. DICKES, P. S. KING and Son, London, 1924. pp. 138.

This book gives us the history of the great struggle of the various forces that contended to govern and direct Italy from the conclusion of the War to the famous elections of 1924, which *constitutionally* placed Signor Mussolini in the seat of authority. To the close student of contemporary European history, we have no doubt it would prove of much value, but it may prove a little bewildering to others. We think however that the fault so much is not in the capacity of the author, as in the subject itself, which refuses to be portrayed in easy, clear out-line.

In a Foreword written by Mr. C. J. Squire Sprigge, it is stated that suddenly since 1922 Italian officers became of first class concern to the British public, till then they were considered to be of minor importance in the European political situation. And this year happens to coincide with the year when by a *coup d'etat* the Fascists came to power in Italy.

As the world is aware, there are two portrayals current of Fascism, or more truly of Signor Mussolini. The one shows him to be the saviour of his country from catastrophic collapse into communism, and the other looks upon him as a traitor to the working classes and hireling of the possessing classes.

Signor Ferrero himself considers that all Governments are justified or stand condemned upon the moral weight that they command. It is this that invests Governments with power and brings them stability. He is of

view that the present Government deluded this sovereign people by flatteries and promises and certain amount of intimidation. He also holds that : "After nine years in the wilderness, after long wanderings through the thickest of riots and strikes and Civil War, we have returned to the system of personal Government under which, as I have shown in the preceding chapters, Italy lived until 1915." There seems no doubt that he bitterly regrets the decision taken by Signor Giolitti in the spring of 1921 to dissolve the Chamber and proceed to fresh elections. He thinks this was a fatal mistake. The Giolitti Government had, he thinks, achieved success unquestionably in concluding a satisfactory peace treaty with Jugoslavia and in clearing the legionaries out of Fiume and although it was extremely weak and ineffective at home, thinks, so he would appear to say to Signor Nitti's administration or rather lack of administration, he believes, all would have gone well, and the country saved civil strife, revolution and a dictatorship, if only Signor Giolitti had placed himself at the head of the Centre Party and driven the Socialists on the left and the Fascists on the right back to legality. But this opportunity was missed. And so through the weakness of successive Ministries, the errors and extravagances of the Socialists, assistance from the rich, by a thousand surreptitious favours from the public Administration—police, prefecture, army, magistracy—Fascism grew in strength and in power.

Writing in 1924, more than three years ago, Signor Ferrero does admit that, "the country is a little more tranquil, and the public services are in slightly better order ; this is incontestable." But he says, "On the other hand, the representative regime seems to have become a farce." It would be highly interesting to know his views now ?

But on principle his judgment seems clear. He feels that all personal Governments are inherently weak, and must sooner or later come to an end. For he says " . . . . . all responsibilities will be thrown on the dictators shoulders, while all effective power will subtly slip out of his hands and into those of his underlings. The reader will have to think of everything, to watch everything, to decide every question the moment it becomes thorny and difficult and a responsibility, but he will have no means of compelling his executive instrument to obey his will and command . . . . . To be responsible for everything and at the same time impotent—this in the modern bureaucratic state, is the punishment of the men who dream of dictatorship. The last of them will suffer the fate of those who have preceded him."

But we doubt if a clear verdict can be given that Signor Mussolini is a dictator. It would appear that he is the chosen head of an elected Parliamentary system of Government.

S. K. RUDRA.

*China: Land of Famine.* By WALTER H. MALLORY. American Geographical Society, New York. Special Publication, 1926. Pp. 199.

From the earliest times China has been the land of famine. "Between the years 108 B. C. and 1911 A. D. there were 1828 famines, or one nearly every year in some one of the provinces" (Introduction P. 1). Famine, therefore, has been a normal feature of the history of China, and is one of her most pressing problems. The present volume deals exclusively and exhaustively with this problem. The author discusses it in a most sympathetic and, at the same time, scientific spirit. The volume is printed on art paper, and, is copiously and beautifully illustrated. It is a notable publication. Both the author and the publishers deserve to be congratulated on its production.

The author has not attempted a narrative of past famines in China except as illustrations of the points he wishes to bring out. He has confined himself to finding out the causes of these calamities and to pointing out cures for them. Both the causes and the cures have separately been grouped under four heads, namely, economic, natural, political and social. Unfortunately for China all the four causes have been, off and on, in the past, and, are, in the present, at work concurrently. The remedies, therefore, have got to be applied in all the four spheres.

"In the last analysis" rightly observes the author (p. 84.) "the principal cause of most famines in China which . . . . is an agricultural country is a density of population greater than the land is able to support." At first sight the density of population in China does not appear to be high. It is, on the whole, 238 to the square mile. But when it is noted that half of the population lives on a quarter of the total area, the real state of affairs, is, to a large extent, borne in upon us. The China International Famine Commission made investigations in 65 villages in the provinces of Chekiang and Kiangsu. Here the number of inhabitants to the square mile is from 980 in some districts to 6880 in others. In Shantung figures vary from 1,800 to 3,000 and in Chihli from 550 to 2,010. (P.15.)

As to food supply. The entire domestic production together with the imports is not able to meet the total food requirements of the people. Estimates made show that 2,372 pounds of grain are necessary to keep a family of five in health. According to Mr. D. K. Lieu of the Chinese Government Bureau of Economic Information "the average yield of wheat, the staple food in the northern provinces, is about 1,200 pounds an acre which, after deducting loss in husking and milling, would leave 500 pounds of flour" (P. 13) This means that 4.7 acres would be required to provide for a family of five. But 33 per cent of the holdings

are less than one acre, and 55 per cent are one and one-half acres or less . . . . . The average size of the families who have as much as one and one half acres is 5.7, and the number in the families increases with the size of the holdings." P. 13.

Coupled to this serious overcrowding on the land are lack of credit facilities, antiquated agricultural methods, poor communications and inefficient transportation methods. But what is the cause of the awful pressure on the soil? This is to be found in the extremely high birth-rate that prevails in China. The high birth-rate is the resultant of many factors. Chief of these is ancestor worship, the universal religion of the people which makes it obligatory on the people to have as many male children as possible so that, "in spite of the ravages of disease, accident, wars, pestilence or famine, at least one will survive to carry on the family name and perform the necessary duties required by ancestor worship" (P. 88.) Very closely allied to it is what the author terms "the Chinese old-age policy of insurance." This is nothing but a desire on the part of the parents especially in the poorer classes to have at least one or two children survive all they bring into the world to be their support in old age. Other social customs that lead to the same result are early marriage and concubinage, and, lavish expenditure on ceremonies and feasts. There is also much waste of time due to there being more men than there is work for, waste of female labour resulting from the foot-binding custom; and, waste of land caused by large areas of it used for graves and burials.

The natural causes of famines are four in number, *viz.*, drought, floods, vermin, and other visitations of the wrath of nature, such as typhoons and earthquakes. All these have from time to time contributed their quota to make the lot of the Chinese miserable although the first two seem to be common phenomena. "Probably in no other country. . . . are the natural features less favourable to the inhabitants than in China. The mass of the people live on the great alluvial plains traversed by meandering rivers, very few of which have well defined channels. The rainfall is very irregular, especially in the north. Long periods of drought are frequent when the crops are a total failure, severe floods occur when the rivers break their dikes, and inundate thousands of square miles of farm lands, destroying the growing food stuffs in addition to causing loss of life, and doing great damage to property" (Pp. 36-37).

The political cause is the lack of a stable government which has particularly since the Revolution of 1911 characterised the history of China and has led to the abolition of granaries, neglect of famine prevention, oppressive taxation, banditry, excess troops, etc.

The cures for famines in China lie in the removal of the above causes. The author discusses different cures in detail. The removal of some of these will take time to bring about. He therefore suggests some lines of action which, according to him, will bear comparatively quick results. These are in order of importance:—

1. Flood control, irrigation, land reclamation.
2. Economic improvement, rural credits, colonization, home and village industry.
3. Improved agriculture and forestation.
4. Development of transportation.
5. Education (P. 189).

Judging from the experience of India we would like transportation to come earlier. But whatever be the order in which they and others are carried out there is no doubt that their adoption will ultimately result in the salvation of the country. In spite of the muddle that at present exists in China the author is quite sanguine about the future of the land of the sun. Says he "if history teaches us anything, she teaches that a race as numerous and as fundamentally sound as the Chinese, which has maintained its political and cultural solidarity for so many centuries, will not perish from the earth" P. 188.

G. D. KARWAL

*Science of Public Finance.* By G. FINDLAY SHIRRAS (Macmillan and Co.) p. 677.

The need of a treatise on Public Finance, in the English Language which may do justice to the recent developments of financial theory and practice and contain a comprehensive treatment of the different branches of the subject in a modern garb has long been felt by academic students and practical financiers. Professor Bastable's book, which has held the field for over thirty years, is now quite out of date and lacking in the breadth of outlook, which is such a distinctive feature of modern developments of the subject. There are other excellent books by distinguished writers, such as those by professor Saligman, whose merits have won for them a high place in the estimation of competent students, but almost all of them deal with only certain aspects of the subject, and each taken by itself covers a limited field. It has, therefore, become necessary that a book dealing with the wider issues, which have now become inextricably interwoven with the entire fabric of financial theory, should be written by someone who combines in his treatment of the subject a clear insight into the basic facts of economic life and vivid appreciation of the practical issues of the day. Mr. Shirra's book, therefore makes its appearance at a very opportune hour, and if it, has failed to evoke greater enthusiasm than

it actually has, the fact must be attributed to the inherent limitations of the book itself and not to any extraneous circumstances. For Indian students, the subject was bound to possess a special interest of its own. Mr. Shirras has had very exceptional opportunities of acquiring an inside view of the whole scheme of our finances in actual operation, and with his academic associations and literary bent it was natural that we should expect to find in this book a directness of touch and a focussing of the light of modern theory and experience on the elucidation of our peculiar problems. It has been written with a special eye to Indian readers, who can, aided by their own judgment and discretion, get a comparative view of their financial problems, and realise their extreme intricacy on account of the growing intricacy of economic life. It contains a mass of information, on the whole well assembled and presented, which gives very useful data for an intelligent study of the subject. It shows an extensive, though not a very intimate, acquaintance with financial literature in a number of languages. It does set out the different issues which arise, though the treatment is somewhat fragmentary and superficial. It covers the whole field, which fact, however, creates an attenuated atmosphere. The reader opens the book with high expectations, which the reputation of the author and the publishers, the need of the times, and the general get-up of the book fully justify, but the expectancy soon changes into a resolve to read it all in spite of flagging interest, and is at the end followed by a feeling of disappointment. It will be a singularly unappreciative reader who finishes the book with a feeling of having read it in vain, for, as already remarked, it contains a lot of useful material and up-to-date information about the finances of all the important countries of the world.

In Book I Mr. Shirras quotes with approval the well-known remark of Wilson that good government and sound finance are interdependent, and deals with the history of the science. But to one unacquainted with the books mentioned they remain imposing but unilluminating names. There is no attempt to give a clear idea of the main lines of development or show how the changes in political ideas or institutions, and the economic structure of society have altered the very basis on which the Science of Public Finance must rest.

Book II deals with Public expenditure. In his introduction Mr. Shirras tells us that the subject of public expenditure has so far been neglected. But he himself devotes only 80 pages to it out of about 700 pages. In this connection it must of course, be admitted that the treatment of the subject is attended with some difficulty, for as Seligman has said, 'From one point of view public expenditure is simply administration, from another it is political economy in the original sense of the word',



and what is more, the writer's view regarding the propriety or otherwise of incurring a particular line of expenditure is bound to be affected by his opinions on matters other than financial. It is, therefore, not possible to have any uniformity of opinions as to how the subject ought to be presented, or discussed. In the first chapter of this Book Mr. Shirras draws a useful distinction between Economy and Retrenchment. 'Economy,' we are told 'is expenditure without waste and to the best advantage' a view which can be readily accepted. Retrenchment, however, is defined as 'lopping off or removal of what is superfluous'. The illustration which he gives to make clear the scope of Retrenchment would fit in better with a policy of Economy. The expenditure on 'doping of the public mind' must always be a waste and a public injury under all circumstances, and should never be incurred. There is, however, point in the distinction though it is not easy to bring it out. While referring to the ideal of public expenditure he says "Public expenditure should be carried upto the point where the advantage to the community of an additional dose of expenditure in any direction is counterbalanced by the disadvantage of another dose of taxation". That is the ideal of public expenditure, but the way he puts it does not make it easy of comprehension. Marshall having given the weight of his authority to the use of 'doses' it will take some time before the word falls into disuse in economic literature, but even he would have agreed most likely that its use in a case like this raises avoidable difficulties. The other chapters of this Book deal with such matters as canons of public expenditure, its classification, the objects for which it is and ought to be incurred, expenditure chargeable to capital, and some general problems. Among the canons are included certain rules which are better described as maxims of financial administration than the canons of public expenditure. The schemes of classification of Plehn, Adams, Mill, and Roscher are referred to in the chapter relating to this question, but are summarily dismissed without much discussion. But his own proposal to divide the public expenditure into primary and secondary will meet with general approval, though it is not quite certain whether some would not take exception to it on the ground that it, like Mill's classification 'conotes,' to use his own words, 'a distinction which few would recognise in these days of the growing sphere of state activities.' Dalton's plan to classify expenditure according as it is 'designed, on one hand, to preserve the social life of the community against attacks, whether external and internal, and on the other hand, to improve the quality of the social life will probably meet the difficulty. It must, however, be recognised that any such distinction is more convenient than scientific, for with adult suffrage and equalitarian social ethics, good education of the

citizens may become a greater safeguard of a modern democracy than even a standing army. The statistics of public expenditure are well arranged and carefully tabulated in the chapters that follow. In the discussion of the expenditure chargeable to capital, Mr. Shirras examines the conditions under which the use of loans is legitimate for meeting public needs. We are, in the concluding chapters, warned against the use of supplementary estimates, inasmuch as they tend to weaken the parliamentary control of public funds, and of the danger of drawing false inferences by comparison of figures that are essentially different. The real 'general' problems, such as the effects of public expenditure on consumption, production, and distribution of wealth, are not even mentioned.

Book III, which comprises more than half of the book, deals with public revenues. Adam Smith's maxims of taxation are quoted *in extenso* but the fact that the canon of equity has since his time acquired a wider and deeper import, which is capable of extension in either direction is entirely overlooked. Mr. Shirras's discussion of taxable capacity has been very adversely criticised, but there is nothing in it which need give offence to any one's feelings, though his choice of the word 'squeezibility' as the definition of taxable capacity is the most unfortunate. The psychological factor is referred to by him as an important condition of the taxable capacity, but he forgets how very ill-advised he is in the use of this word on account of the psychological re-actions, which it at once sets up in the minds of the readers. It raises all the horrors of the rack in our mental horizon, and suggests that the limit of taxation is set by the limit of the people's endurance. The problem of taxable capacity is the problem of suitable adjustment between the individual and social expenditure of the national dividend modified, of course, by the considerations of expediency and the need of not causing any social revulsions. Mr. Shirras calculates the taxable capacity of India in a mechanical manner, and arrives at a figure per capita which can not be of any use for practical purposes. In doing this he takes the existing standard of living as the basis of his calculations. The theory accepted by progressive thinkers is that the ideal system of taxation should make allowance not for minimum of efficiency in fixing the limit of exemption, but for what Hobhouse calls the civic minimum—an ideal which is not and can not be realised in any country just at present. The important questions of the distribution of revenues between the different grades of government, and of the principles of progression, and of conflict of jurisdiction are taken up next and handled in a very inconclusive manner. The chapters dealing with the incidence and shifting of taxation contain a bare summary of the views of the important writers, and are equally unsatisfactory.

The economists, it must be admitted, are, in spite of the valuable contributions of a number of writers, groping in the dark in the study of these baffling questions. The relative elasticity of supply and demand on which so much reliance is placed, are useful conceptions, but their pragmatic value is very limited indeed. The best writers on the subject dispose of a few questions, but raise many more which cannot be answered, and thereby give a truer insight into the complexity of these problems. Mr. Shirras is content with citing the proverb which says that 'beautiful things are hard', and then leaves the reader to his own devices for getting more light on the subject.

The chapters on land, income, and inheritance taxes contain a lot of information. The revision of the present land revenue system is advocated to suit the changed conditions, but it is not quite clear whether it is proposed to impose the income-tax on the rural classes in substitution of or in addition to the land revenue. There is a great deal of confusion of ideas in this chapter, and it is not easy to make out the sense of his remarks on the future of the land revenue. The account of the history and present position of income-tax and death duties in different countries is good, and the proposal that the difficulties of imposing Death Duties in India on account of the existence of the institution of the Joint Family System should be overcome by limiting the liability to the tax to the occasion of the death of the coparcener of the oldest generation is sound, and has practically been endorsed by the Taxation Committee. In the remaining chapters of this Book other direct taxes, indirect taxes, non-tax revenue, and the problems of local taxation have been dealt with.

Books IV and V deal with Public Debts and Financial Administration respectively. The author is at his best in the historical account of the Public Debts. In his explanation of the various methods for their redemption he devotes about ten pages to Capital Levy, and the conclusion to which he comes is that it would cause serious deflation and thereby reduction of values. The fallacy of this argument may not be quite evident to persons not conversant with monetary theory, but Mr. Shirras could certainly have given better reasons against the use of what some consider a drastic measure. As regards the productiveness of industry being the real sinking fund of the nation—a point by which he lays so much store—it is only necessary to say that in view of the serious economic situation all over the world it is wise to rely on something better than the passage of time for remedying existing evils.

In the treatment of Financial Administration Mr. Shirras is again

lost often in details, and has very little to say about the general principles. Three conditions of efficient administration *i. e.*, treasury control, legislative examination of the budget proposals and scrutiny of public accounts, and independent audit—are only indirectly referred to and their importance does not seem to have been realised. The officers in charge of our financial administration are spoken of as 'the most upright and highly specialised engineers in the world', and they well-deserve the praise bestowed upon them. The concluding remark of the book is 'Financial administration must needs be cautious and reasoned, but there is no ground why it should not be firm and prompt.' It is not clear what is really meant here, but it should certainly be possible to combine the qualities necessary for efficiency and progress.

There are 32 appendices consisting of tables of statistics. They are the most useful part of the book.

Financial questions have come very much to the fore on account of the war, its aftermath, and the wide acceptance of the new social ideals. It is, it may be repeated, very necessary that some book, which can do for the 2nd quarter of the 20th century what Prof. Bastable's book did for the 4th quarter of the 19th should soon be published. Professor Saligman's forthcoming work on 'Principles of Fiscal Science' will most likely satisfy this urgent need.

GYAN CHAND.

*The Purpose of Education*: By ST. GEORGE LANE FOX PITT  
New Cheap Edition, Revised and Enlarged. Cambridge University Press.  
1925. Pp. XXIX, 94.

To those who are interested in the study of psychology, those who are dissatisfied with the modern methods of education, those who see in our system of training a deep rooted error, not easily visible, which makes us perceive things in the wrong light, confusing the means for the end—to all these *The Purpose of Education* should afford instructive and interesting reading.

The book begins with chapters on Human Personality and Emotion and Instinct where the author shortly but clearly explains the constitution of the human mind. This affords an introduction to general psychology. Our mind is a complex of manifold qualities, some of which are more predominant than others. The surroundings stimulate and develop some of these and bring them to light while others remain latent, undeveloped, and unknown. Under certain sets of circumstances, certain experiences are gained and certain activities and certain attitudes of the mind are brought into play. The angle through which social phenomena are

viewed and the ideals approached differ under different influences exercised by environments. Education, in the wide sense, should aim to create that atmosphere for the young where the most desirable qualities of the human heart and mind may be strengthened. In the words of the author, "the only real remedy for human pain, as distinguished from temporary palliatives, is such systematic education as will effectively subordinate our lower to our higher purpose." In the chapter on Character versus Reputation the author explains lucidly the harm that generally results from our notion that reputation is the deciding factor in judging the worth of a man. Certainly, a person with good character almost always possesses a high reputation, but unfortunately the reverse is not always true. The character of a person is his real nature, tastes, and qualities, while his reputation is the expression of his qualities as judged by others. Now it can not be disputed that character is far more important than reputation which is often gained by a mere outward show of virtue and refinement". Thus as civilization advances and the complications of life grow greater, we are confronted with the most deplorable waste of human energy in the vain attempts of individuals, groups, classes and nations to maintain their position in the eyes of the world; a struggle which manifests itself in that great mass of affectation and vulgar display; and in those varieties of fraud, folly and make-believe which we all see and deplore". In this connection the difficulty experienced in endeavouring to inculcate the superiority of character to reputation is pointed out.

In the chapter headed Incentives to Effort some of the glaring errors in the commonly accepted assumptions, relating especially to Economics, are exposed. For instance, the absurdity in the proposition that finance is an absolutely essential element in the production of necessities is brought to light. Certainly, given the attitude that we now possess, given the complex organisms we labour under, the necessity of finance cannot be questioned. But undoubtedly a state of things can be imagined in which human beings co-operate to create necessities of life without the aid of the complicated machinery of finance. The author, in pointing this out, does not wish to suggest that our economic system should be done away with, he only shows that at this stage we have concentrated too much upon finance with the result that "the instrument or servant has become master".

Similarly it has been pointed out how we have grown to look upon money as an end and not as the means to attain happiness. Such a mistaken notion naturally launches one into the belief that the purpose

of all industry and every sort of individual or co-operative effort is the accumulation of that great end money, and that the supply of the wants of society is quite a secondary affair.

In another chapter the draw-backs of specialization are pointed out. Its advantages—the increase of utilities—are known to all. Its immediate, objective results are apparent and admirable too : but when we stop to reflect on its influence on the minds of the people—its force in changing the attitude of the people towards one another—its subjective and far off results become clear. It has the effect of narrowing down our outlook ; it breaks up the component parts of the social organism.

It must be stated here that these drawbacks are not deeply rooted in the very system of specialization. The defect lies in the constitution of the human nature, probably specialization brings it out into prominence. Moreover, the advantages gained by specialization completely outweigh its disadvantages and, we believe, the author shares our views here.

The one central idea running through the book seems to be that we should suppress our egoism and realize the necessity of inter dependence. The element of competition in educational and economic systems, though it helps to bring the best objective results from individuals, creates at least a slight antagonism between them. Hence in education the incentive to effort should not be secured through competition but the very love of learning should be created in the minds of the young to serve as a substitute for competition—a hard task for teachers.

One great drawback of the book is that it cannot be easily understood by a layman. It requires some knowledge of psychology or again of economics to understand parts of the books. The first two chapters, to a majority of laymen, would be only Latin and Greek. But the fault is rather in the nature of the subject on which the book is written than of the author himself.

J. K. MEHTA.

### *The Study of Economics*

The charge has been repeatedly levelled against the students of Economics in India that they are almost exclusively influenced by the writings of English authors and that all the narrowness and conservatism that characterise British Economic thought find their counterpart in economic discussions in this country. Now apart from the doubtful validity of the latter part of such an indictment it cannot be denied that most students in this country fail to widen their outlook on economic subjects by not trying to keep abreast of the growth of economic thought in other countries than

England, particularly Germany, France, Austria, Holland and America. No doubt in the case of many of our scholars the difficulty of learning a new language acts as a deterrent to their enthusiasm for new and extensive knowledge. The same, however, cannot be said in relation to the ineffectiveness of the appeal that American books at present make to an average Indian student of economics. With a view to arouse and increase the interest in American books on the subject it is proposed to indicate some of their characteristic features with particular reference to a recent publication *viz.* "Elementary Economics" by Profs. Fairchild, Furniss and Buck of Yale University.

It is to be noted at the outset that the book embodies a scheme of presentment markedly different from the traditional divisions of an English book on Political Economy. The authors start with a dissertation on the subject of the economic organisation covering 217 pages. The purpose and the usefulness of such a procedure are obvious. Unless and until an interest in the subject of inquiry and study is aroused in the mind of the student and he is well posted with the relevant material facts, any theoretical discussion is bound to be uninteresting and relatively uninteresting. In this part a more or less full reference is made to such topics as foundations of the science of economics, factors of production, industrial stages, industrial revolution, division of labour, control of production, form of business unit, large scale production and combination, organisation of marketing and transportation and the economic functions of Government. It is needless to observe that in every case American experience has been freely drawn upon for the sake of illustration and explanation. It is a bold idea to think of an Indian text-book on Economics, basing its theoretical treatment so extensively on Indian experience, as being an immediate or a near possibility !

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Naturally enough preliminary definitions of the fundamental concepts of the science are dealt with in the introductory part. In most cases the usual connotation of economic terms has been accepted. A few important variations are however, noticeable. Thus the science itself is defined as follows: 'Economics is the science of man's activities devoted to obtaining the *material* means for the satisfaction of his wants'. It is no wonder that from such a definition the authors proceed to limit the meaning of the term wealth to 'all useful material things'. But what is surprising is their insistence upon all wealth being owned. They observe: 'Having excluded from our concept of wealth all useless and all immaterial things, we next limit it to those useful, material things which are owned by man. The first effect of this limitation is to exclude those useful things which are furnish-

ed freely and abundantly by nature. 'Thus air is material, and it is about the most useful thing in the world. But on account of its abundance it is not owned. Why should one take the trouble to own it.' One is tempted to challenge this attempt to base an economic characteristic on a juridical fact, but that does not detract from the striking contrast with accepted notions on the subject that the statement constitutes. Students who are familiar with hair splitting and hair raising discussions on the endless subject of value will also be relieved to find that the American Professors have given a wide berth to the 'theories of value' and have almost exclusively concentrated on the Laws of price to which they refer in a separate part covering a little over 150 pages. The problems of circulation and exchange are dealt with in parts III and IV which complete the first volume. The second volume contains five parts dealing respectively with problems of the business organisation, the distribution of wealth and income, the economics of Government, the problems of labour and the reform of the economic system. Thus in a space of nearly 1250 pages the whole field of elementary economics is traversed with the help of a striking, if not a novel, plan.

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The most characteristic and interesting parts of the book are, however, those which deal with subjects on which a clear difference of opinion exists between the economics of the old and the new worlds. High prices, the rise of monopolies, speculation, the growth of population, commercial policy, the labour movement, socialism are all live and burning problems of economic and general social interest and apprehension for the average student. The American authors are obviously not perturbed by any difficulties on this account. We read with feelings of mingled surprise and relief through statements like the following :

'The charge that specialised training to-day makes change of occupation difficult is the reverse of the truth.'

'There have been popular complaints against the high prices of the necessities of life ever since the middle Ages, in fact ever since price began to be a matter of importance in the daily life of the common people.'

'With such influences eliminated, there is good reason for the conclusion that, throughout the greater part of the industrial field, fundamental economic forces are working, not to bring about monopoly, but rather to preserve a state of active competition, none the less intense because it may often be carried on by a relatively small number of powerful rivals.'

'Any action which would seriously interfere with the normal operation of speculation would be a costly blunder.'



'In the distribution of the social income the class of entrepreneurs as a whole receives at best a surprisingly small value.'

'Karl Mar's charge against Capitalism, that it increases the riches of the wealthy and the poverty of the poor, though it is not definitely overthrown by our knowledge of present tendencies, must at least be dismissed as not proved.'

'There is no escape from the conclusion that the economic case for protection is fallacious. The economic advantage is all on the side of freedom of international trade.'

'The efficiency of profit-sharing varies directly with the rank of the worker and inversely with the size of the group.'

'In the United States the professed socialists are a relatively insignificant part of the population.'

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Our present purpose does not justify an examination of these and many other equally striking statements that the readers might find in the book. It is noteworthy how a nation like the United States of America, rich in its possessions, richer in its possibilities and richest in its ambitions, views problems of vital economic interest. The conclusions that American authors reach on the subjects differ from many current opinions, yet they are correct enough in that they agree with the local economic experience. Similar distinctions can be traced in the writings of continental writers of the present day. Students of economics in this country, if they care to exonerate themselves from charges of narrowness and obsolescence ought to keep in touch with the growth of economic thought in the West. The American publications for obvious reasons are the most easily available for the Indian reader and it is hoped that in future in addition to British publications other sources also will be adequately tapped by those Indians who are interested in economic studies.

D. G. KARVE.

*The Tables Turned*—A Lecture and Dialogue on Adam Smith and the Classical Economists 19th January 1926—J. Bonar LL. D., London P. S. King & Son.

Dr. James Bonar, who recently celebrated his seventyfifth birthday, has an international reputation as an Economist, mainly on account of 'Malthus and his Work' 1885, 'Ricardo's Letters to Malthus' 1887, 'Ricardo's Letters to Trower' (with Prof. Hollander) 1899, the Catalogue of Adam Smith's Library 1894, and especially his contributions to Palgrave's Dictionary of Political Economy on Adam Smith the Austrian Economists, etc. Dr. Bonar's occasional writings, however, are of a very high

nature, especially those which have appeared in the *Harvard Quarterly Journal* and in the *English Economic Journal*. In all of these we find the same clearness of thought, the same precision of scholarship, and indeed all those qualities which one expects from so distinguished a Scotch mind. We have before us the 'Tables Turned', a lecture that was delivered last year at the London School of Economics to commemorate the hundred and fiftieth anniversary of the *Wealth of Nations*.

The lecture is in two parts; the first deals with Adam Smith and the classical economists; the second is a dialogue in Elysium between the Master and his own followers. In the former Dr. Bonar asks—who first spoke of classical economists? He traces the origin of the term to Karl Marx who used it in his 'Poverty of Philosophy' in 1874. Marx divides what he terms the Fatalist School into the classical economists and the Romantic. Marshall's definition of 'classical' is very happy. An economist is not classical 'unless either by the form or the matter of his words or deeds he has stated or indicated architectonic ideas in thought or sentiment, which are in some degree his own and which once created, can never die but are an existing yeast ceaselessly working in the cosmos'. In quoting this Dr. Bonar rightly points out that it is a severe test and that Marshall would exclude Mill, but include Petty, Hermann, Von Thunen, and Jevons. 'Broadly speaking, in the England of the 19th century, the word stood for the followers of the classical Tradition proceeding from the *Wealth of Nations*'. That, indeed, seems correct.

In regard to Adam Smith he clearly shows that the great founder of our Science attempted to show there was one basic element in society—competition—which is seen in all leading economic phenomena. 'Competitive effort of individuals for gain is really the basis of Adam Smith's whole economic system'. In the dialogue Dr. Bonar brings out the changed order of things in a remarkably clear way by referring to labour as the cause of wealth; wages, population, and the standard of living; competition, rent and cost of production; combinations, and factory acts; and free and unfettered foreign trade.

Both in America and in Europe there have been on this anniversary, lectures on the Pious Founder which serve as a timely reminder of the great book—the *Wealth of Nations*, 'still' in Dr. Bonar's words 'readable although classical'. Our only fault is that in the dialogue Dr. Bonar has confined himself to so little and has not gone into Adam Smith's currency theory and public finance. Perhaps in some future issue he will enlarge the dialogue. These blanks are due to the fact that he did not wish to cross the frontiers of his brother lecturers. The characteristics of the work

of Dr. Bonar in this as in his other work are a certain sledgehammer efficiency and his infallible accuracy. His boundless knowledge of the classical economists unspoilt by any taint of pedantry, his wonderful modesty, and his infinite patience with people less learned than himself, endear him to younger generations of economists all over the world.

G. FINDLAY SHIRRAS

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# **CONFERENCE PAPERS**





# THE VIRTUES OF COMPULSION IN INDIAN RURAL ECONOMIC DEVELOPMENT

BY

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## SUMMARY.

There is an important section of opinion in India which holds that in practically all matters of rural economic development voluntary effort on the part of the rural folk—preferably through channels of co-operation—is an absolutely essential condition, and on this score even temporary interference by the Government in the shape of legislation, concessions or financial aid, is being opposed. In countries much more advanced than ours, democratically and socially, the process of compulsion is being resorted to at numerous points without any regard for theories of individual liberty. In this Paper an attempt is made to explain the nature of our wants in the matter of rural welfare, and to show why in almost all cases in the past where any Government in India tried to help augmentation of rural welfare on an optional basis, little success was achieved. Signs are not wanting to make us see that in instances like the Bombay Small Holdings Bill and the Mysore Agriculturists' Relief Bill and the Punjab Regulation of Accounts Act, several of our Governments are realising more and more the virtues of the process of compulsion—at any rate in the initial stages. The Mysore Village Panchayet Regulation, brought into force some nine months ago, makes a marked departure in this direction, and several provisions of the Regulation and the Rules thereunder which *compel* the governmental machinery and the rural folk to carry out certain duties, are referred to. The leading feature of the Regulation is that the initiative for re-establishing a proper organisation for rural development, is to be taken by Government through the head of every district: the arrangement is analogous to the process of artificial respiration with the help of an external agency for reviving natural respiration.

Several ponderous volumes of evidence before the Agricultural Commission have been published, but from the viewpoint of the masses of rural India the bulk of suggestions and schemes put forth appear not to hold out much promise: the agricultural expert has usually confined his attention to the size of the output and costs of production, presuming that conditions necessary for his schemes could be easily arranged for. His improvements could possibly be tried on experimental farms and large estates. The general publicist has had his sway as a townsman—the basic reasons for the backwardness of rural India do not seem to have been generally appreciated by him, at any rate not to the full extent. The fundamental truth to be borne in mind in connection with Indian rural problems is that these are not of any particular kind: it is not the case of a local disease requiring a bandage here, a linament there, but it is that of a general breakdown requiring an *all-round* pick-up. People tell us of silo-preserved grass, of double crops, of better seed and manure, of improved dairying; but the central problem appears to lie in the providing of a proper organisation ensuring the success of detailed improvements tried. We have been told by some that a better organisation of rural economy would come with the spread of education among the masses; but it is for the practical statesman to see that this would be the surest way for postponing a responsible facing of the situation. Illiteracy there is less now in our villages than fifty years ago, yet rural affairs were better looked after, on the whole, in centuries prior to our own. If one would take the trouble of moving about and studying actualities, one would probably find that the general deterioration of our villages—the increasing migration from farms to mills and towns—was due to the following causes:—

- (a) Inadequacy of Government grants for items over which Government have assumed control.

For instance, maintenance of village roads, once the duty and joy of the villagers themselves, is now-a-days not at all satisfactory. And our legislatures (even our district boards) which

would agree to lakhs being spent on boulevards and bandstands, would steeply descend in their scale of grants when they came to the question of villages. "Rs. 5,000 for improving rural means of communication in District A during 1925-1926"—the particular district consisting of about 1,000 villages and 10,000 village road mileage—is now-a-days rather the rule than the exception. An executive engineer who was asked by the writer as to what he would do with this grant, frankly said that the entire grant would be wasted in an attempt to show an impossible mileage of village roads, laid or maintained. A thousand rupees for village sanitation has most often meant the finding of the pay of a solitary sanitary inspector who does all miscellaneous work except sanitary.

- (b) Inability of the Government officials to check, supervise, maintain, repair, construct or establish efficient services closely affecting the economic well-being of the village folk.

The dilapidated condition of the average tank, its feeders, its drainage trenches, its basin, is probably the best proof for this. There have been several cases where the 50 per cent. contributions collected and deposited by the respective villagers in the taluk treasuries (this having been a condition for the P.W.D. undertaking the restoration and repair of tanks) have continued to lie there unutilised for decades: under the rules, the executive engineer says, the villagers have the right to seek the services of the P.W.D., but says he, he has neither the staff nor the time, nor the contractors and labourers necessary for even attempting to handle such a gigantic responsibility. On the

other hand, if the ryots should put their hands to the task of improving their tank, they would be liable to appear before a criminal court of law (by far the bulk of tanks in villages are Government tanks).

- (c) The meagreness of the present administrative machinery, which touches rural life broadly, to carry out its huge and multifarious responsibilities satisfactorily.

When one discovers the long durations over which petitions and applications and appeals—special-ly revenue—lie in the pigeon-holes of the taluk offices, one seriously asks one's self as to whether under any circumstances such a machinery would suit such work.

- (d) The specially noticeable lack of public spirit, lack of leadership and union, development of slothful habits, and the growing attitude of mendicancy among the rustic folk.

Party strife is playing no small havoc in the economy of the village, and a lamentable sensitiveness to the slightest infringement of individual liberty, is becoming more and more conspicuous.

It is no wonder that in this atmosphere the spade work towards a revival is specially difficult. This is partly the explanation for the strangely hostile attitude taken up by a considerable number of "popular" leaders in the Bombay and in the Mysore Legislatures on the Small Holdings and the Agriculturists' Relief Bills respectively, though the other part of the explanation lies in such people imagining such measures as calculated to work against the interests of their (large landholding and money-lending) class.

This is also the cause for the comparative failure of local self-government in many parts of India: "local" government is nominal, there is little co-operation from the villagers in developing local self-governmental institutions; the powers vested in them are therefore yet few, and in most cases it is the provincial officer that is faced by the unpleasant business of having to find out something

for a "report" about the "gradual" development of local self-government.

The provisions of the Mysore Village Panchayet Regulation (brought into force over the whole of the Mysore State on February 1st, 1927) and the Rules framed thereunder, appear to grapple with many of the root evils vitiating the health of our rural economy. It is too early to declare finally about the degree of success attained by the measure, but there are distinct signs indicating that the move is not only in the right direction but armed with sufficient momentum. The unique characteristic of the measure is *compulsion*—compulsion at many points, the full operation of the processes of which has been guaranteed under the Regulation. The following features of the Regulation and Rules thereunder should probably prove interesting and suggestive to social workers whose ideal is permanent, all-round and cumulative rural reconstruction:—

1. The Deputy Commissioner of every district is to establish a panchayet in *every* village or group of adjoining villages (including alienated villages): no option is allowed either to the Deputy Commissioner or to the villagers to do without a panchayet; but hamlets (sections of villages) are to be granted the privilege of having their own panchayets if they should so desire: "If two-thirds of the number of voters in any village included in a group of villages under the jurisdiction of a village panchayet, elect to have their village constituted into a hamlet, it may be so constituted."

Even in case where panchayets fail to function, or prove incapable or dishonest, the Deputy Commissioner is to arrange for *temporary* administration of the panchayet's duties; but without option he is under the obligation to re-establish the panchayet system in such villages at the earliest suitable opportunity.

2. There is to be a meeting of the panchayet once a month at least, more often if required by a majority of the panchayetdars.

3. The following are to be the *obligatory* duties of every panchayet under the Regulation:

- i. Construction, repair and maintenance of village roads including cart-tracks, culverts and bridges, but not including those under the control of any other local body or of Government;
- ii. Construction of drains and disposal of drainage water and sullage;
- iii. Cleaning of streets, drains, tanks and wells (other than tanks and wells used exclusively for irrigation) and other public places or works in the village;
- iv. Regulation of buildings;
- v. Opening and maintenance of burial and burning grounds;
- vi. Management and maintenance of cattle pounds;
- vii. Sanitation, conservancy and prevention and abatement of nuisances;
- viii. Preservation and improvement of public health;
- ix. Maintenance and regulation of the use of public buildings vested in the panchayet;
- x. Control of other institutions or property belonging to or vested in it;
- xi. Maintenance of tanks and wells (other than those used for irrigation); and
- xii. Supply of water for domestic use.

(“ Discretionary ” and “ delegated ” duties which devolve upon the panchayets when they have proved themselves fit to take over such additional functions, are enumerated as follows:

(Discretionary—providing facilities for travellers, relief of the poor and the sick, extension of village sites, excavation and maintenance of

ponds for the supply of water to animals, planting and preservation of groves and trees, control of cattle stands, grazing grounds and other communal waste-lands, development of education, co-operation, agriculture, rural industries and trade, the lighting of the village, and other measures of public utility calculated to promote the safety, health, comfort or convenience of the residents of the area.

(Delegated—management, protection and maintenance of village forests, of tanks used for irrigation, and of minor *muzrai* (religious) institutions, and the supervising of village schools.)

4. To meet expenses, apart from additional sources, every panchayet is to levy a tax on all houses, shops, or places of trade or business, or vacant sites, *hittals* (backyards) and carts in the village or villages within its jurisdiction (but for exceptions specified by the Rules). "A panchayet may also levy, with the previous sanction of Government, and subject to such rules as may be prescribed in this behalf, any other tax, cess, rate or license or other fee for the discharge of any of the duties imposed on it." (Not more than 18 days' labour to be necessarily accepted by the panchayet in payment of taxes by any member of the village.)
5. In a case where functions assumed by a panchayet entail expenditure heavier than the income, and the concerned panchayet refuses to add to its income by additional taxation (there is a provision under the Regulation for Government grants whenever possible towards the expenses of village panchayets), the Deputy Commissioner is to "call upon the panchayet to take steps, *within six months*, to increase its income to such an amount as may be considered necessary. If



the panchayet fails to take adequate steps to increase the income to the required amount, the Deputy Commissioner may *require* it to increase the rate of taxes . . . .

6. The village panchayet is under an obligation to grant licenses for house-building *within one month* from the date of receipt of the application. Permission is to be presumed to have been granted if refusal is not communicated within a month.
7. The Deputy Commissioner is under an obligation to approve of the budget of every village panchayet within one month after the receipt of the same: otherwise, the panchayet is to presume that the approval is granted.
8. The Deputy Commissioner and the panchayetdars are also under an obligation to collect a tax or a penalty due from any villager *within three years* from the date on which the due becomes payable. Otherwise the party becomes free from all liability.
9. At several stages, on several issues, the inamdars in charge of alienated villages, approached Government for exempting them and their areas from the operation of the Regulation, but throughout the Government of Mysore refused to exempt, the concession granted having been that, wherever possible, Deputy Commissioners should consider the recommendations made by the inamdars.

For the body economic to be healthy and progressive, each germ-cell should live and co-operate with other cells. The Mysore Village Panchayet Regulation attempts to compel every such cell to live its own life and manage its own affairs. The old fear that with such baffling illiteracy in Indian villages, such attempts to rouse local responsibility would result in making the kulkarni (and the few other literates) dominate over the rest of the village, has been fully exploded by the short experience in Mysore: many a president of village panchayets is illiterate, and

he has shown himself fully capable of controlling the usually literate secretary.

A question might be asked: suppose the village panchayets continuously fail to perform their duties satisfactorily, for how long and how many times should the Deputy Commissioner act under the Regulation in order to rouse local life? The answer is quite simple and straight: what Morley said in connection with democracy fully applies to our rural affairs: hope and faith in progress might be construed as superstition and fatalism, but without these no nation can possibly expect to push on. And to us conservatives, superstition and fatalism do not come as a surprise. A time has come when our Governments should inspire themselves into action with the help of such a superstitious and fatalistic attitude: they should *compel* our villagers to cherish better hope and faith in their own progress: as the writer put it somewhere else, the present time requires a process of artificial respiration: our Governments should breathe for reviving rural life, for re-establishing local respiration in the villages. And this should be done whether the people responsively co-operate or not.

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# AGRICULTURAL DEVELOPMENT

BY

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It is desirable to mention at the very outset that the views expressed in the following pages do not represent the ideas either of an expert in any branch of agricultural science or of a practical farmer. I have not passed through any course of agriculture as such, nor have I ever carried on any agricultural operations. Mine are the ideas of a man, who, by nature, is of an enquiring turn of mind and has an observant eye, and who being born and brought up in rural surroundings as the son of a petty landlord in the Agra Province has had regular touch with rural life. To the information derived through continuous touch with the village life in the Agra Province, I have during the last nine years added some information by a regular study of books written by foreign writers on the subject relating to their own countries and on the general principles of rural economics, and the literature issued from time to time by the agricultural institutions in India. Besides these, whenever an opportunity has offered itself to me, I have tried to see life and labour in the villages of provinces other than my own, as well as some of the provincial agricultural institutions. And on information so derived, I have thought and then have come to certain conclusions. It is these conclusions that I wish to place before the Conference for their consideration.

One thing that both observation and study have brought forcibly to my mind is the general poverty of the Indian agriculturist—poverty in information as to how his condition could be improved and poverty in material resources to secure those things that could make his occupation progressive. The ideas that the Indian agri-

culturist is ultra-conservative, that he is disinclined to adopt better methods of farming, and prefers a drab life and semi-starvation because his hopes are centered more in the welfare of his soul in the next world than in this do not seem to be true. What seems to be true is that the Indian cultivator, like other practical men all over the world is cautious—perhaps over-cautious, which is justifiable in his case, as being a man of poor resources who cannot afford to take risks—and believes more in things done than in mere words spoken or written. Wherever, by means of a demonstration-farm, it has been shown to him that a certain new crop or a certain variety of seed gives better results than the crop he was growing or the seed he was sowing, he has readily given up his old crop or the old seed and taken up the new, provided it has happened to be within his reach. The practical lesson which I am inclined to deduce from this observation being that to make Indian agriculture progressive we must have a net-work of demonstration-farms all over the country.

Another thing that has struck my imagination with equally great force is that although Indian agriculture is backward and unprogressive on the whole and therefore needs change and development on progressive lines, yet it does not call for any very radical changes by heroic methods, such as recommended by some enthusiasts in their zeal. Our lines of change and development should not be content by merely taking into consideration the one fact that their introduction would lead to larger productivity, but should also take into account the resources of the country at large to undertake those lines of development as well as the resources of the average cultivator to make use of them. What may have done a great deal of good in Europe or America and may hold out quite a hopeful prospect of doing good in India, is not to be recommended as a sound thing unless its bearings in relation to our resources and peculiar conditions have been gone into with care. Thus an American plough driven by steam, looked at independently, is certainly better than the ordinary Indian plough, but when some of our friends recommend the replacement of the Indian plough by the American one, they conveniently ignore that in America

the area of an average holding is many times larger than what is met with in India, and that the holdings in America, as a rule, are compact, whereas in India the scattered holding is the usual type. And therefore it is not quite so easy in this country to replace the Indian plough by the American, as they seem to think. This is but an isolated instance to illustrate my point that in our anxiety to change and improve the *status quo* in agriculture we should not hurry from one undesirable thing to another. We should move with care and caution, and should disturb the existing order of things only after we have made sure of something that is distinctly better than the thing or practice sought to be replaced, and yet within the limited means of the country and its people. The determination of suitability of new implements or of new seeds and so on should be the function of the provincial and the imperial research institutions, and when the suitability is assured, then and then only the demonstration-farms should undertake to popularise their use.

Closely allied to the above is a point which, so far as my knowledge of the existing literature on reconstructing rural India is concerned, has not received the consideration it merits, though it is usually the first premise of all discussions on the utilisation of resources to a given end. And that first premise is that before we should think of new methods of cultivation, or of new manures, or of new implements, we should assure ourselves that we are making the best possible use of things that we already have. Putting it in other words I might say that, before undertaking something new to improve our agriculture, we should find out if it is, or it is not, possible to make agriculture more productive by utilising in a better way the existing resources of the cultivator. When we will have done that, then and then only will be the time for going in for new and better things. That our agriculturists are not utilising their existing resources to their best advantage, I will now try to indicate by referring as briefly as possible to some of the existing agricultural practices in these provinces, as well as by indicating how, by little modifications of the same, agricultural production could be increased.

Agricultural cycle in the United Provinces officially begins from the 15th of June when the monsoon is expected to set in. But the first agricultural operation, *i.e.*, manuring is always started a week or so before the rains are expected. Our principal manure is composed of the cattle-dung and other sweepings from the farmer's house and the cattle-shed. However, for eight months out of twelve the cattle-dung is utilized for making cakes to be used as fuel, and it is only during the four rainy months that the whole of it is taken to the manure heap. This means that about 60 per cent. of the available manure is not sent back to the farm, and is wasted from the agricultural point of view. This is not all. Even the part that we preserve of the farm-manure is not utilised in the best possible way. Our methods of storage of manure and its application to the soil are both wasteful. We have no system of accumulating manure in pits on the farm itself, nor do we trench it when applying. While storing, we let it lie just at the outskirts of the village *abadi*, or at the back of our houses, on the open surface, either to be burnt away by the scorching heat of the sun or to be washed away by the downpouring rains. And this indifferently developed manure, when applied to the field, is left on the flat surface in small little heaps a week or so before the approach of rains. This gives a further opportunity to the sun to do its work, and when finally the rains come, they wash away its lightest and the most useful particles, and what is left to be ploughed in the farm, are just the undeveloped parts of it which could, by no means, add much to the productivity of the farm so far as the immediately following crops are concerned. All this could be changed for the better, if the practice of keeping manures in manure-pits on the farm itself were adopted, and if it could be trenched when applying. Both these require neither much expenditure of time nor money nor effort.

It is in a soil so manured, if at all, that the cultivator sows his seed. There is a common saying in the Indian villages '*Jyasa boega rya katega*' (As you will sow, so will you reap). From the degree of currency of the above saying in the rural areas one should have expected a scrupulous care in the selection and storage

of seed on the part of the agriculturist. But in practice what is met with is the total want of care. A large majority of the Indian agriculturists being heavily in debt to the village *sowcar* have to part with all their produce at the end of a harvest to him, and generally it is he who provides them with seed. Although he charges very high price for the seed supplied, yet from what I have seen of rural life, I feel justified in saying that he takes no care whatever either in selecting the best material for sowing purposes, or in storing it after selection. As far as possible, he tries to pass on to the cultivator the ordinary stuff that he has been keeping along with the other grains for other purposes. The methods of storing grain in India are so defective that it is no wonder that an appreciable part of the seed sown fails to germinate, and the part that germinates grows into poor seedlings, resulting in poor crops. The common methods of storing grain in villages are either in a *khatti*, i.e., in a deep hole dug in the earth, which usually is not even lined with bricks, or in a *bhusera*, that is in a room, usually made of mud, and lined with *bhusa* (chaff); or in big earthen vessels. Of these three, the third is by far the best, but in this way only small quantities of things can be stored. When a cultivator can afford to keep his own seed, he generally adopts this method, and we also find him mixing ashes or putting in asafoetida to keep off damp. But the *sowcar* with large stocks of things finds the *khatti* or the *bhusera* more convenient. The grain when kept in one of these is not only subject to damp but is also very often infested with weevils, and eaten up by rats. This enormous waste that we in India are suffering year after year, could be avoided if our farmers, a day or two before the cutting of their ripe crops, could take a leisurely walk through their fields and pick out the best developed plants, and then thrash them separately and store the grain in strong earthen vessels tightly sealed with mud. Surely this requires neither any violent change from the traditional methods nor any serious expenditure of time and money, but a little care and forethought. And yet they do not do so. Why? Because they do not know the simple truth that the greater part of their seed does not germinate. Then again the usual practice in India



is to thrash the crop in the open after it is cut and dried. There it is not only spoiled by wandering cattle and thieves, but sometimes rain comes in and causes lot of injury to the grain and the straw. Only last year (1926) we had a case of this kind in some part of Northern India. In progressive countries crops after being cut are stacked in sheds and there thrashing operations go on. The Indian cultivator is too poor to provide a barn for himself, and the Indian landlord, where he exists, too careless to take notice of such little things.

These are but isolated instances to show that, by making more economic use of our existing resources, we could increase agricultural production appreciably, and that this particular line of attack in solving the problem of agricultural backwardness is worthy of a place in our future programme of rural reconstruction. To be successfully undertaken it requires a close study of the existing agricultural practices in the different localities, and that with a view to suggest such modification as would arrest waste and make the things more effective.

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# DOUBLE-CROPPING IN CERTAIN REGIONS OF OVERPOPULATION

BY

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## SUMMARY.

In the regions of overpopulation in the Gangetic Plain, Oudh and North Bihar, we find a significant correlation between the density of population and the extent of double-cropping. The physical causes which determine the extent of double-cropping are the amount and distribution of rainfall, irrigation and the nature of the soil in the different regions. The bearing of these causes upon the problem of double-cropping has been thoroughly discussed in the light of actual facts and figures. The dependence of double-cropping upon the enterprise of particular cultivating classes has been discussed and the question whether the extent of double-cropping is an index of agricultural prosperity has also been examined.

## 1. DENSITY OF POPULATION AND DOUBLE-CROPPING.

The correspondence between a high density of population and extensive double-cropping is one of the remarkable features of rural economy in some of the regions of over-population in the Gangetic Plain and the sub-montane tracts of the Himalayas. Mr. Blunt in the Census Report of 1911 discovered a correlation between density of population and the gross cultivated area, and the results which he obtained were stated in the following table:—

	Order according to density.	Order according to gross cultivated area.
Indo-Gangetic Plain, East ... ..	1	2
Sub-Himalaya, East ...	2	1
Indo-Gangetic Plain, Central ... ..	3	3
Indo-Gangetic Plain, West ... ..	4	4

It is obvious that Mr. Blunt has referred only to a very general relation that exists between high pressure of population and the extent of double-cropping. As this problem is of more than mere demographical importance, I propose in this Paper to attempt an intensive study of the various causes which determine the extent of double-cropping as well as the economic effects of double-cropping in these regions of overpopulation. In addition to the four regions mentioned in the table, I have also taken into consideration the problem of double-cropping in North Bihar and Oudh, where also the pressure of population upon land is equally extreme and the phenomenon of double-cropping shows the same essential features.

First of all, let us take the detailed figures of twice-cropped area for different districts as well as the detailed figures of the area recorded as new fallow which also reveal not only the extreme

pressure upon land but also the extent of double-cropping. The

Districts.	Percentage to net cultivated area		
	of twice-cropped area.		of recent fallow.
L.-G. Plain, East ...	{ Benares ...	(1909) 21'5 (1912) 19'3	(1902) 4*
	{ Jaunpur ...	(1908) 28 (1912) 29'3	(1908) 5'7*
	{ Ballia ...	(1905) 29 (1912) 32'4	...
	{ Azamgarh ...	(1908) 19'3 (1923) 27'8	(1908) 12'3*
	{ Ghazipur ...	(1908) 21'5 (1913) 24'5	(1908) 3'9*
Sub-Himalaya, East	{ Basti ...	(1905) 37'2 (1922) 35'3	(1905) 2'3
	{ Gorakhpur ...	(1919) 30'77 (1920) 27'6	...
L.-G. Plain, Central	{ Allahabad ...	(1908) 23'29 (1916) 19'3	..
	{ Cawnpore ...	(1907) 17'3 (1921) 14'77	(1907) 3
	{ Fatehpur ...	(1905) 17'17 (1915) 14'9	...
L.-G. Plain, West ...	{ Meerut ...	(1902) 19'8 (1922) 21'8	...
	{ Bulandshahr...	(1902) 23'8 (1922) 25'1	(1902) 2'6
Oudh ...	{ Partabgarh ...	(1902) 33'4	(1902) 3'9
	{ Sultanpur ...	(1902) 35'4	...
	{ Fyzabad ...	(1902) 42	(1904) 2'9
	{ Barabanki ...	(1902) 39'4	...
	{ Lucknow ...	(1902) 27	...
North Bihar ...	{ Muzaaffarpur ...	(1902) 46	(1902) 1
	{ Saran ...	(1902) 37	...
	{ Champaran ...	(1902) 39	(1902) 3

\* The percentages of recent fallow are high because of the extensive cultivation of sugarcane. Land has to be kept fallow preparatory to a succeeding crop of sugarcane. In Jaunpur 1/5 and in Azamgarh 1/18 of the area under fallow is of this nature.

As regards the variations in the extent of double-cropping from one period to another, in the case of certain districts we find an increase or decrease of 2 per cent. to 3 per cent. The increase is natural in view of the increase of population which means more extensive double-cropping. It might also be due to sufficiently favourable conditions or rainfall. On the other hand, the decrease in the percentage of the twice-cropped area to net cultivated area may be due either to increasing cultivation of inferior *ek-fasli* lands with the increase of population or to unseasonable or ill-distributed rainfall.

## 2. PHYSICAL CAUSES DETERMINING THE EXTENT OF DOUBLE-CROPPING.

Let us now enquire into the various physical causes which determine the extent of double-cropping. It is obvious that the *kharif* crops cannot be followed by a second crop of *rabi* if there is not sufficient moisture in the soil. Whether there will be sufficiency of moisture or not, depends, firstly, upon the amount and distribution of rainfall in a particular tract. If the amount of rainfall in the *kharif* season is insufficient, then, in the absence of artificial irrigation, double-cropping would be an impossibility. On the other hand, if the rainfall is overabundant, then the soil might suffer from water-logging and oversaturation and a second crop of *rabi* cannot possibly be grown. Secondly, whether there will be sufficiency of moisture or not, depends upon the facilities of artificial irrigation. In spite of the natural facilities for the supply of moisture in a particular tract, the cultivators cannot do away with *do-fasli* irrigation except where they have the advantage of possessing *karail* lands. Hence we can say that both rainfall and irrigation or, briefly speaking, agricultural water-supply, determine whether there will be sufficiency of moisture necessary for double-cropping. Thirdly, whether there will be sufficiency of

moisture or not as a result of a given rainfall, whether artificial irrigation will be successful or not, and whether the land will have sufficient plant-food or not, depends upon the texture and fertility of the soil. The *kharail* soil has a wonderful power of retaining moisture long after the *khurif* rains and can grow excellent *rabi* crops after *khurif* even without irrigation. The ordinary light *dhumat* soil consisting of a large proportion of clay and a small proportion of sand has also the power of deriving the greatest advantage from a given amount of rainfall. Then again if the soil is stiff clay, the land will be simply water-logged without retaining sufficient moisture, and will be fit only for 'earing a single crop of rice. Moreover, well-irrigation also depends upon the nature of the soil. In the districts affected by the Gangetic alluvium well-irrigation is facilitated by the greater height of the water-level, whereas in the districts affected by the alluvium of the Jumna well-irrigation is hampered because of the great depth of the water-level.

Thus, so far as the physical causes which determine the extent of double-cropping are concerned, we can lay down two very important propositions, *viz.*:—

- (1) That the extent of double-cropping depends upon the *normal* agricultural water-supply in a particular region. I use the word "normal" advisedly, because for our purpose the small short-period variations are not important.
- (2) That the extent of double-cropping depends upon the nature of the soil.

Our next problem will be to verify these two propositions in the light of facts and figures relating to the various regions of overpopulation.

In the districts of the Eastern Gangetic Plain the influence of seasonable and sufficient rainfall upon the extent of double-

Indo-Gangetic cropping is very great. On the one hand the Plain, East. inundations in years of heavy rainfall supply the moisture necessary for a second crop of *rabi*, and on the

other hand the tanks and the *jhils* which are full are fully utilised for double-cropping. In the district of Benares most extensive double-cropping is found in the parganas of Dhus and Majhwar. In Majhwar 31.6 per cent. and in Dhus 36.4 per cent. of the net cultivated area are twice-cropped. Here rainfall is heavy and the country is liable to inundations, and so we find a fairly close correspondence between the irrigated area and the twice-cropped area. The figures for the irrigated area are 13,061 acres and 7,046 acres respectively, whereas the figures for twice-cropped area are 11,283 and 7,364 acres respectively. In the district of Jaunpur the Jaunpur tahsil showed the highest percentage of twice-cropped area, *viz.*, 32 per cent. in all the parganas, whereas the district percentage was only 26. Here also we find a correspondence between the irrigated and the twice-cropped areas. 71,168 acres were irrigated and 39,230 acres were twice-cropped in this tahsil in 1908. In Azamgarh the influence of rainfall upon double-cropping is observed in a striking manner. The year 1907-8 was a year of deficient and ill-distributed rainfall and in that the twice-cropped area was only 163,270 acres, whereas in 1910-11 which was a year of heavy rainfall the twice-cropped area was 260,968 acres.

If we observe the classes of soil on which double-cropping is extensive in the Eastern Gangetic Plain, we get a verification of the second proposition, *viz.*, that the extent of double-cropping depends upon the nature of the soil. We find that double-cropping is very extensive in the alluvial lowlands which are subject to annual inundations but which do not consist of stiff and heavy clay fit to bear a single crop of *kharif* rice; *e.g.*, Chandausi tahsil in Benares, Jaunpur tahsil in Jaunpur, Ballia tahsil in Ballia and Ghazipur, Saidpur and Karanda parganas in the district of Ghazipur. Then again double-cropping is extensive in Muhammadabad and Zamaniah parganas in Ghazipur and Narwan pargana in Benares, owing to the presence of *karail* tracts, over which the current is not very strong during the inundations, which contain a good deal of alumina, and which have the property of retaining moisture long after the rainy season.

In the districts of Sub-Himalaya East also double-cropping is extensive because of the annual inundations in the alluvial lowlands locally called Kacchar lands. In the Sub-Himalaya, district of Basti double-cropping is very extensive [East, in Bansi East and Binayakpur owing to this natural supply of moisture. In Gorakhpur the twice-cropped area was found to be 11.66 (thousand acres) and the irrigated area to be 13.95 (thousand acres) in 1919, so that we observe a close correspondence between the two.

Taking the soils of the twice-cropped areas we find that double-cropping is least in the heavy clay lands and the sandy or raviny tracts, and is most extensive in the light but rich alluvial Kacchar lands liable to inundations in which clay and loam are combined in equal proportions. We also find extensive double-cropping in those tracts in which there is a fertile silt called *bhat* and which, like the *kara'il* soil in the Gangetic Plain, has a wonderful moisture-retaining property, and extensive double-cropping in Bansi East and Binayakpur is obviously due to the presence of the *bhat* soil.

In the districts of the Central Gangetic Plain we find the same correspondence between the available agricultural water-supply and the extent of double-cropping. Here artificial irrigation consists wholly of well-irrigation in the absence of canal development. And it is a significant fact that well-irrigation is particularly facilitated everywhere in the trans-Gangetic parganas owing to the greater height of the water-level in these regions; whereas in the Doab regions, particularly in the South, the peculiarity of the alluvium of the Jumna is that water-level is deep and highly inaccessible. Hence double-cropping is always more extensive in the tracts affected by the Gangetic alluvium. In Allahabad the area under the *rabi* crops has increased in the trans-Ganges from 170,218 acres in 1874 to 203,761 acres in 1916, whereas in the Doab we find an actual decrease. The increase in the *rabi* area is an evidence of more extensive double-cropping and this increase is, to some extent, due to an increase in the area under gram and barley, the two leguminous crops which are sown as second crops



after *kharif* rice. In Cawnpore too we find the same correspondence between the twice-cropped area and the irrigated area.

Parganas.	Percentage of twice-cropped area.	Percentage of irrigated area.
Sheorajpur ... ..	29'88	50'77
Bilhaur ... ..	25'83	41'77
Bhognipur ... ..	11	27'15
Ghatampur ... ..	11	21'28

In Fatehpur double-cropping is extensive in the Central *dhumat* tract. But here owing to defective drainage (as in Hathgaon, Haswa and Kutila parganas which also show high percentages of double-cropped areas) land is liable to water-logging but the conditions are not altogether unfavourable for double-cropping. As a matter of fact we find that *birra* or mixed crops which are sown as second crops after rice constitute 50 per cent. of the area under *rabi* crops.

We must notice another fact in this connection. Although artificial irrigation is the most important factor in the trans-Gangetic tract, yet the influence of rainfall also is considerable. Then again the fact that double-cropping is becoming extensive in the Jumna tracts of the Central Gangetic Plain as a result of the extension of canal irrigation, sufficiently proves the validity of the first proposition which we laid down above.

Now if we observe the nature of the soil in the twice-cropped areas, we find that double-cropping is extensive in those tracts which consist of rich Gangetic alluvium which contains clay and sand in almost equal proportions, and which is not only absolutely more fertile but has also a considerable moisture-retaining property.

In the densely populated districts of Oudh the extent of double-cropping is also dependent upon the available agricultural water-supply. But here the cultivators are faced with the problem of water-logging and oversaturation owing to defective drainage. Hence we find that double-cropping

is least in the rice-tracts of the district which lie amidst tanks and *jhils* and are intersected by rivers and streams which have a tendency to flood the country-side. In Partabgarh double-cropping is very extensive in the Partabgarh tahsil, where the proportion of heavy rice-land is the smallest. In Sultanpur double-cropping is extensive in the higher lands of Musafirkhana and Sultanpur tahsils and it is least in extent in the Amethi tahsil where owing to the existence of Naiya Jhil and Raja-ka-Bandh the single-cropped rice-lands are found in abundance. In Fyzabad, on the other hand, the land does not suffer from excess of moisture after the *kharrif* harvest owing to better drainage conditions, and hence most of the rice-lands are twice-cropped and early rice can be followed by gram or peas in winter. This is the case in Akbarpur tahsil where early rice occupied 66 per cent. of the *kharrif* area in 1904 and most of the rice-lands were double-cropped. This is also the case in Pachchmuth and Khandausa, where about 50 per cent. of the cultivated area was recorded as twice-cropped. In Barabanki, we find extensive double-cropping in the rice-lands. We also observe the influence of annual inundations upon the extent of double-cropping, specially in the *tarai* lands in the valley of the Ghagra. But in Barabanki the extent of double-cropping is also dependent upon the extent of well-irrigation. In the Nawabgunj and Hydergarh tahsils there is extensive double-cropping and this is mainly dependent upon wells which are very numerous in the trans-Gumti parganas. In Nawabgunj 59,561 acres were irrigated in 1902 and 53,232 acres were twice-cropped. In Hydergarh the irrigated area was 46,533 acres in 1902 and the twice-cropped area was 49,307 acres; and in the same year there were 4,308 masonry wells and 3,182 unprotected wells in the tahsils. In Lucknow too, we find that the extent of double-cropping is mainly dependent upon well-irrigation, and up to recent times the area irrigated from tanks and *jhils* was found to be diminishing and the area irrigated from wells was found to be correspondingly increasing.

Now if we observe the nature of the soil in the twice-cropped areas, we find that double-cropping is extensive as usual in the

*matyar* soils which are nōt stiff and heavy and are capable of being ploughed for a second crop in winter. It is also extensive in the *dhumat* soils and the *bhur* soils which are light and contain a small proportion of *kankar* or sand.

In the districts of the Western Gangetic Plain the recent increase in the extent of double-cropping has been mainly due to the extension of canal irrigation.

This is obvious from the following figures for the district of Meerut :—

	1860	1890
	(In acres.)	(In acres.)
Irrigated area	... 580,005	607,647
Twice-cropped area	... 46,000 (4·5%)	232,000 (22%)

In the case of irrigated land the general rule followed is that the land must lie fallow for at least one harvest in three years. But if the land is solely dependent upon rainfall, only one crop is annually produced. This practice shows that extensive double-cropping is practised mainly in the irrigated tracts.

Considering the soil characteristics in the tracts where there is extensive double-cropping, we find that it is very extensive, so far as the district of Meerut is concerned, in the North-Western tract which consists of a fine, black loamy soil which renders the *paiganas* included in it the richest in the district. It is also extensive in the land to the East of the Hindan which is a continuation of the North-Western tract.

In the districts of North Bihar extensive double-cropping is mainly dependent upon the amount and distribution of rainfall.

North Bihar. In the district of Saran only 15 per cent. of the cultivated area was irrigated in 1901, whereas 37 per cent. was twice-cropped. In Muzaffarpur only 2 per cent. of the cultivated area was irrigated although nearly 50 per cent. was twice-cropped. On the other hand, the district of Champaran is very much exposed to inundations. Hence it grows paddy as an autumn crop and consequently the succeeding second crop of

*rabi* is smaller in extent and consists of cheaper food-grains. This explains why the twice-cropped area is smaller in Champaran than in Muzaffarpur.

Turning to the soil characteristics we find that in Saran double-cropping is extensive in the *bhat* soils which can bear both *aghani* and *rabi* crops and is least in extent in the *bhangar* lands which are more dependent upon rainfall and can grow a single crop of rice. In Muzaffarpur and Champaran double-cropping is extensive in the characteristic *balsundari* soil of the Southern uplands which consists of fine, light sand and clay and hence can retain moisture, and it is least in extent in the clay soils of the Northern lowlands.

### 3. DOUBLE-CROPPING AND AGRICULTURAL ENTERPRISE.

We have seen that extensive double-cropping depends upon favourable physical conditions such as annual inundations, presence of moisture-retaining *karail* soil or rich and light loamy soil in which the proportion of clay is considerable. In such cases double-cropping is often accompanied by imperfect tillage and wasteful cultivation. There is a downright robbery of the soil as a result of the high pressure of population upon land, and sometimes it is the bounty of nature which prevents the utter exhaustion of soil fertility. In Muzaffarpur, for instance, where 80 per cent. of the land is cultivated, hardly one acre in 100 is allowed rest in a particular year, and it is apparent that but for the annual deposit of silt the land would have deteriorated quickly.

But there are also districts in which the extent of double-cropping depends a great deal upon agricultural enterprise. In these districts double-cropping is usual upon highly-manured and well-irrigated lands near the village sites. The standard of cultivation is very high, a variety of crops are grown and fertility is maintained by intelligent methods.

It is one of the most significant features of the rural economy of the United Provinces and Oudh that agricultural skill and enterprise is greater amongst the lower classes such as Muraos, Kurmis,

Ahirs, and Jats than amongst the higher castes. The lower classes generally possess the most fertile portions of the district and intensive cultivation and double-cropping are most extensive whenever they have taken up their abodes. In Fatehpur the Kurmis have occupied the Parganas Kutila and Hathgaon which are the most fertile, the most densely populated, and the most intensively cultivated parganas. In the Dheta pargana they form 29 per cent. of the population cultivating 62 per cent. and owning 83 per cent. of the cultivated area. If we examine the extent of double-cropping, we will find that these are the very parganas in which it is very extensive, and as a matter of fact this is mainly due to the agricultural enterprise of the Kurmis.

The influence of agricultural enterprise upon the extent of double-cropping is seen to best advantage in some of the districts of Oudh and the Western Gangetic Plain.

In Partabgarh the Kurmis formed some 13.6 per cent. of the Hindu population in 1903. Here there are more Kurmis than in any other district of U.P. with the exception of Barabanki, and this accounts for the agricultural prosperity of this district. The Kurmis are chiefly found in the Partabgarh tahsil and this is mainly the reason why double-cropping is most extensive in this tahsil. In Barabanki too the cultivation has reached a high standard owing to the presence of the Kurmis. We have seen that in this district double-cropping is mainly dependent upon well-irrigation. This is natural as it is merely an evidence of the agricultural enterprise of the Kurmis. In the district of Sultanpur we find that 43 per cent. of the cultivated area is double-cropped in the pargana of Musafirkhana. Here also one of the main reasons why the percentage is so high is the existence of Muraos, Kurmis and Ahirs who are the chief cultivating classes.

Like the Kurmis in Oudh the Jats are the most skilful and enterprising cultivators in the Western Gangetic Plain. For instance, in Meerut and Bulandshahr districts the high standard of intensive cultivation is mainly due to their enterprise. In Meerut the Jats occupy one-fourth of the entire cultivated area and in all the parganas they have succeeded in occupying the most fertile

lands. We have seen that double-cropping is most extensive in the North-Western tract of the district, and it is a significant fact that the North-Western tract is the home-land of the Jats.

#### 4. DOUBLE-CROPPING AND AGRICULTURAL PROSPERITY.

The dependence of double-cropping upon agricultural enterprise raises a very important incidental question, *viz.*, whether and how far extensive double cropping may be regarded as an index of agricultural prosperity.

The system of double-cropping modifies the ordinary standard rotation of *rabi* and *kharif* alternately, by which the *rabi* is followed by nearly three months' rest and the *kharif* by nine or ten months. In regions of dense population, where the average size of the holding is very small and the cultivator does not willingly leave land fallow for successive seasons, these lengthy periods of rest give time for fresh supplies of mineral plant food to become available and for the bacteria in the soil to develop. Thus it is apparent that double-cropping involves a wasteful utilisation of land. Moreover, the sowing of second crops just after the harvesting of the *kharif* crops means undue haste and necessarily imperfect tillage which, as Mr. Moreland points out, is the worst feature of double-cropping. Thus it would appear that double-cropping means improvident husbandry and is a sign of agricultural backwardness in regions of dense population.

But there are regions in which, as we have seen, the system of double-cropping is regulated by intelligent methods of agriculture. There double-cropping is practised upon highly manured *gornd* lands or lands adjoining the village site and upon the soil called Manjha I soil according to revenue classification which is also highly manured. Here, as we have seen, the methods of cultivation reach a very high standard owing to the predominance of enterprising cultivating classes, and the system of double-cropping does not mean a robbery of the soil.

Moreover, the problem has to be faced from the point of view of the effect of the pressure of population upon land. As a result

of the increase of population in the different regions, the increase of cultivated area has been obtained partially by taking up old fallow lands or lands in the ravines, swamps, or sandy tracts, or lands distant from the village and imperfectly irrigated, the cultivation of which is distinctly precarious. For instance, in Gorakhpur the area recorded as old fallow in 1919 was exactly half of the area recorded at the last settlement, and this is due to the increasing cultivation of old fallow. In Allahabad and Barabanki cultivation has extended by taking up the poor soils of the raviny swampy tracts. In Bulandshahr inferior lands including lands covered with saline efflorescence have been taken up. In Muzaffarpur roads and patches of waste have been taken up, and there has been considerable encroachment even upon the mango groves. Increasing cultivation of inferior lands is clearly a sign of agricultural distress. Moreover, the resumed cultivation of old fallow and the decrease in the area recorded as culturable mean a corresponding reduction of the area of pasture land—a circumstance which has made the solution of the cattle problem so difficult in these regions. Hence the intensive cultivation of lands of superior fertility by the increasing adoption of the system of double-cropping cannot but be regarded as a sign of agricultural prosperity. This tendency has been strikingly observed, for instance, in the district of Cawnpore. In Cawnpore the gross cropped area increased from 903,915 acres in 1870 to 959,630 acres in 1907, but during the same period the double-cropped area increased from 44,215 acres to 139,507 acres; so that we find an actual decrease of the net cultivated area. Thus in spite of the increase of population there is not only no increase in the net cultivated area by increasing cultivation of lands of inferior fertility, but there is an actual decrease in the net cultivated area. This shows how extensive double-cropping might operate as a safety-valve under the pressure exerted by the increase of population. In Allahabad, the average size of the holding in 1916 was calculated to be .85 acre per head in the trans-Gangetic parganas. Here also one of the main reasons why one acre of land can support more than one person is extensive double-cropping. As a matter of fact, however, the tendency to

take up inferior lands and the tendency to have recourse to more extensive double-cropping have acted together in the regions of overpopulation, and wherever the latter tendency has been predominant owing to the enterprise and resourcefulness of the cultivators, double-cropping has been really a sign of agricultural prosperity.





# THE AGRICULTURAL REGIONS OF THE GANGES PLAIN:

**A Survey of the Relation between Cultivation and Water-supply.**

BY

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The agricultural conditions of large portions of India fluctuate violently with the fluctuations of the monsoon rainfall. Even though agriculture might depend upon the supply of water from canals, wells or from river-bed moisture, the cropped area as well as the produce in tracts where the average rainfall is from 10 to 30 inches respond quickly to the amount and distribution of rain in the year. Such tracts depend chiefly upon dry crops which may fail entirely in bad rainfall years. The Ganges Doab from Delhi to Allahabad falls within this tract, and canal-irrigated agriculture cannot bring about certainty of produce. The security of crops increases as we proceed from the 40 inches rainfall line at Allahabad towards more abundant rainfall in the east. But in the middle Ganges Plain early monsoon crops are grown over wide areas without irrigation. These succeed well in years of favourable monsoon, but when rainfall becomes deficient or is irregularly distributed, there is shrinkage of crops. It must be pointed out in this connection, that between the condition of absolute certainty of produce in the wet regions and of maximum insecurity within the drought limits of unirrigated agriculture there occur all degrees of scarcity and all grades of starvation. The lack of irrigation facilities in the dry regions where dry crops dominate as well as the dependence on rainfall for wet crops in regions within the zone of precarious distribution both measure the precariousness of agriculture.

The study of successive famine years in the United Provinces seems to indicate several distinctive tendencies (see Table).

Districts.	Deficiency of total rainfall from the normal rainfall during the famine years.				Percentage of difference between the normal cultivated area and area cultivated during the famine years.			
	1907-08	1913-14	1915-16	1918-19	1907-08	1913-14	1915-16	1918-19
CANAL DISTRICTS.								
1. Saharanpur ...	-18.9	-11.3	-6.2	-15.4	-7.9	-4.9	-3.5	-9.5
2. Muzaffarpur ...	-13.7	-6.6	-4.2	-15.7	-13.7	-4.4	-2.9	-16.4
3. Meerut ...	-14.8	-8.3	-7.7	-13.0	-14.9	-9.7	-2.0	-23.4
4. Bulandshahr ...	-15.1	-9.9	-10.5	-13.4	-14.6	-12.0	-7.4	-26.5
5. Aligarh ...	-10.3	-9.3	-11.8	-16.5	-8.3	-8.9	-4.0	-22.6
6. Mainpuri ...	-14.5	-16.7	-8.8	-18.8	-10.1	-15.4	-2.1	-20.5
7. Etawah ...	-13.1	-16.3	Normal	-19.5	-12.2	-12.2	Normal	-20.0
8. Muttra ...	-9.4	-14.4	-9.9	-15.6	-16.7	-27.6	15.7	-36.4
9. Farrukhabad ...	-13.3	-13.7	...	-19.8	-6.4	-7.4	...	-23.7
WELL DISTRICTS.								
1. Gorakhpur ...	-21.9	-6	...	-5.8	-1.0	3.4	...	1.9
2. Basti ...	-24.5	-15.2	...	-15.6	-3.4	-4	...	0.4
3. Benares ...	-8.1	5.3	7.9	-2.6	-4.1	1.6	2.5	0.9
4. Jaunpur ...	-14.9	-9.1	...	-17.2	-3.2	4	...	-3.0
5. Azamgarh ...	-18.0	2.3	...	-14.6	2.1	4.9	...	5.4
UNPROTECTED DISTRICTS.								
1. Bareilly ...	-14.4	-22.7	-5	-12.9	3.5	...	3.5	-5.7
2. Bijnor ...	-15.9	-19.7	-6.0	-10.3	-3.9	-1.3	2.3	-7.2
3. Agra ...	-7.3	-17.1	-9.6	-14.7	-9.3	-26.5	-6.9	-39.9
4. Budaon ...	-10.3	-15.9	...	-16.7	0.5	-5.7	...	-18.8
5. Allahabad ...	-9.5	-12.0	...	-11.0	-8.6	-8.6	...	-6.6
6. Jhansi ...	-12.1	-23.2	...	-17.6	-16.0	-15.1	...	-8.9
7. Jalaun ...	-15.2	-18.1	...	-18.5	-48.8	-48.2	...	-42.1
8. Bahraich ...	-23.0	-15.7	...	-11.6	-8.0	-5.3	...	-5.7

In the first place, a bad monsoon leads to more violent reactions on cropping in unprotected and canal-irrigated districts. When the Arabian Sea monsoon fails and the Bay current as well is weak, the whole Province except the south-eastern and sub-montane tracts suffers. The unprotected districts are situated on the south-west. These are Agra and Muttra and the Bundelkhand districts of Jhansi, Hamirpur, Banda and Jalaun which all fare worst. These regions are more arid than the rest of the province. The average rainfall here varies from 25 to 35 inches. In Bundelkhand the rainfall averages between the extremes of one-third and twice the normal, and owing chiefly to the prevalence of black cotton soils, either excess or deficiency may lead to scarcity or famine. A drought leaves the soil so dry and hot and lets loose such dry winds from the desert that sowings are impossible except in the few favoured irrigated localities. Jalaun showed an abnormally high deficiency of cropping of 48 per cent. in the famine year 1907-08 and also in 1913-14. Both Agra and Muttra showed a deficiency of nearly 30 per cent. in 1913-14. It is most characteristic that in some of these districts the percentage of deficiency in cropping exactly corresponds to the figure representing in inches the deficiency in annual rainfall. Nothing shows more effectively the effects of the fluctuations of rainfall on agriculture; nowhere are such effects so direct and exactly measurable. Strange it is also that even the lapse of a decade does not improve matters, and the deficiency of the area cropped in the successive years of a bad monsoon remains the same, *e.g.*, Allahabad, Jhansi, Jalaun, Aligarh and Etawah showed almost identical figures of shortage of cultivated area during the two famine years 1907 and 1913. The Ganges-Jumna Doab is, as we have seen, intersected by the numerous distributary channels of the Upper and Lower Ganges and Eastern Jumna canals; and in addition there are in most districts good facilities for well irrigation, more especially for *kutchas* or temporary wells, for the construction of which the sub-soil is, in many parts of the Doab, peculiarly favourable. The average rainfall is about 30 inches and the average winter rainfall about  $4\frac{1}{4}$  inches in the north-west at Saharanpur, decreasing to 2

inches at Aligarh and  $1\frac{1}{2}$  inches east of Aligarh. It is estimated that in this area over five million acres or nearly 45 per cent. only are irrigated in a dry year; and of this roughly one-half from government canals, nearly one-half from wells and a small balance from tanks and other sources.<sup>1</sup>

In a year of drought the percentage of deficiency of cropping in this tract is much higher than in the eastern districts which enjoy a more abundant normal rainfall. This shows that in the Upper Ganges plain which is a drier region with a normal average rainfall of 30 inches as a whole, it is rainfall and not irrigation which is the limiting factor in agricultural productivity. A deficiency of annual rainfall beyond a limit of 30 inches would here affect the cropping. Secondly, the deficiency in cropping in the canal-irrigated districts follows closely the deficiency in rainfall from April to October. The reason is that agriculture in that region which has expanded, both intensively and extensively, needs more water than is available from the canals in the hot months. The natural difficulty of artificial irrigation which is aggravated by drought stands in the way of wet cultivation characteristic of the Doab districts. Thirdly, a rainless hot weather makes the soil surface absolutely unsuitable for cropping, so that a large portion of the canal-water has to be used up in giving a preliminary watering to permit of sowing. Thus the crops have to be sown late and grow under high temperatures and suffer accordingly. A late harvest exposes the crop to strong westerly hot winds and the grain is threshed out light. This is true especially of Agra and Bundelkhand divisions. In most districts the deficiency of normal cultivated area was more than 20 per cent. in the famine year 1918-19.

Throughout the province the amount of moisture required by the ordinary *kharif* crops and in particular the millets, is so great that it cannot be grown satisfactorily by artificial irrigation. The plants, if enough water is supplied to the roots, grow up strong and healthy, but the yield of grain at harvest is insignificant if

<sup>1</sup>Report of the Irrigation Commission, 1901—03, Part II, p. 182.

the moisture be insufficient. The same is the case with cotton, sugar-cane, and poppy—all valuable *kharif* crops, which are again particularly susceptible to the westerly hot winds. Rice, the principal crop of the sub-montane zone, extending along the whole length of the provinces and the central tracts lying between this tract and the Ganges yields under irrigation an increased outturn of about 20 per cent. only in the former and 40 per cent. in the latter tract. The failure of the food-supply derived from the *kharif* crop cannot therefore be entirely averted by irrigation, although the growth of substitute crops can to some extent mitigate it. Such a failure, though it would mean much scarcity and distress, would rarely imply famine, unless followed by a failure of the *rabi* crop. As a rule the south-eastern and sub-montane tracts receive sufficient rain to mature the early *kharif* crop. The average rainfall varies from about 35 inches in the south-east to upwards of 70 inches at the foot of the hills. The winter rainfall decreases from 7 inches in the west to about 1½ inches in the southern and eastern districts. Rice and wheat are both important staple crops here. Rice is freely irrigated from streams and canals, but the water being near the surface the moisture of the soil is sufficient for wheat and other *rabi* crops. The whole area is liable to suffer only occasionally from serious deficiency of the rainfall. But the winter rainfall is as a rule insufficient for the full outturn of *rabi* crops without the aid of irrigation, and a failure of September rains also ruins late rice, which is the principal crop of these tracts. A large number of temporary wells, however, can be and is usually constructed with great speed and minimises the effects of insufficient rainfall.

We thus see that over the greater part of the provinces, to ensure good harvests, it is necessary to have fairly heavy rain during the three monsoon months of July, August and September and a few inches more during the winter months December and January. If the rains do not commence by the first week in July, the preparations for the autumn crop (*kharif*) are delayed, and if there is a prolonged break in August or September this crop suffers, while if the rains in those months are excessive, floods

are caused which damage it. The winter rains also may cause serious injury to the spring crop (*rabi*) or their failure may harm it, though a satisfactory rainfall at the end of the monsoon may go far to ensure the crops against this. An excessive rainfall damages the autumn crops, and if it extends through the cold weather, may cause blight and other injuries to spring crops. This damage may be so severe as to cause distress.

In the eastern districts, wells seem to be a better insurance against famine. In the years we have considered, rainfall from November to March shows far less irregularity and uncertainty than the early monsoon rainfall. A normal or slight excess of winter rainfall counteracts visibly the effects of the spell of dry weather at the beginning of the agricultural season. These districts also show a high percentage of irrigated area and a higher standard of farming than the canal districts, all of which imply less susceptibility to seasonal fluctuations of rainfall.

Throughout the Doab and Bundelkhand there is witnessed always a large decline of *kharif* during a bad early rainfall. The *kharif* sowings in the year of an unfavourable monsoon become greatly restricted and limited to the irrigated land and usually the yield of the irrigated crops is much below the normal. Usually there is sufficient moisture for *rabi*-sowing in the eastern and sub-montane districts. When the winter rainfall fails or is irregularly distributed, the *rabi* crop has to be restricted to areas irrigated either from canals or from wells and from other sources. The districts in the east are better supplied with the latter. A famine year also always brings to existence quite a large number of wells. Of the staple *rabi* crops, gram does not require any artificial watering in ordinary years, but in the case of wheat and barley irrigation increases the outturn by 50 to 100 per cent. Throughout the Upper and Middle Doab the *rabi* crops grown by canal irrigation are sown late in an unfavourable year and suffer severely from high temperatures, and hot winds. It is the failure of this crop that spells widespread distress.

A careful scrutiny of the percentages of difference between the normal cultivated area and the area culti-

vated during the famine years goes to show that the districts irrigated from wells, private canals and other sources offer far greater resistance to the effects of an unfavourable rainfall than both the canal-irrigated and unprotected districts. Man here can face the calamity caused by a deficient or capricious rainfall with greater hope and determination and, indeed, in these districts, he has not looked merely to Providence for succour during a famine year. Each famine year witnesses an enormous increase in the number of wells. The percentages of irrigated to estimated irrigable area have increased in the following manner in these districts:—

District.	1911-12.	1916-17.	1918-19.
Gorakpur ...	... 68·8	85·4	85·4
Basti ...	... 48·9	78·9	75·7
Benares ...	... 91·9	95·3	94·4
Jaunpur ...	... 56·7	82·8	78·6
Azamgarh ...	... 71·8	93·9	83·2

Each famine year leaves a legacy of defences behind, and thus the districts gradually come to be insured against distress. The potential resistance is indicated by the abnormally high figures of irrigated area reached in 1916-17 and in 1918-19. The figures for 1918-19 would have been higher but for the Influenza epidemic which raged throughout October and part of November and paralysed the energies of the cultivators. The cattle power was also relatively low due to the scarcity of fodder and pasturage caused by the drought. The inadequacy of protection from canal-irrigation is indicated by the fact that nowhere does it reach the high percentages of the districts irrigated from wells and other sources. The following table will show this (we have taken the figures of the last famine year 1918-19):—

	Percentage of canal-irrigated to total irrigable area.		
Muzaffarnagar ...	...	...	73·6
Saharanpur ...	...	...	64·2



Percentage of canal-irrigated  
to total irrigable area.

Etawah	...	...	...	63.6
Meerut	...	...	...	53.3
Bulandshahr	...	...	...	43.8
Muttra	...	...	...	37.3
Mainpuri	...	...	...	35.0
Aligarh	...	...	...	28.6
Farrukhabad	...	...	...	25.0

In several south-eastern districts such figures are outstripped by the percentages of well-irrigated to total irrigable area (Irrigation from other sources has not been considered at all though this is quite important in this tract):

Percentage of well-irrigated  
to total irrigable area.

Benares	...	...	...	92
Jaunpur	...	...	...	86
Azamgarh	..	...	...	57
Gorakhpur	...	...	...	52
Basti	...	...	...	34

A relatively greater deficiency of rainfall has been accompanied by less shrinkage of cropped area in successive famine years in the well-irrigated districts. Such shrinkages when they do occur are insignificant in comparison with the shrinkages in the other tracts.

We have already noted that as a rule the variations of rainfall are much greater in the Upper Ganges Valley than in the Central and Eastern portions. The canals hardly withstand the effects of a bad monsoon. On the other hand, the correspondence between the deficiency of rainfall and shrinkage of cultivated area is becoming closer. There is another tendency which is visible. Any abnormally high rainfall in winter from the 1st

November to 31st March fails to have any recuperative effects on crop deficiency caused by the failure of the early monsoon. Secondly, in the last famine year considered by us, *viz.*, 1918-19, the shrinkages of cropped area were far greater than ever before. These apply all the more to the unprotected districts which show a diminishing capacity for overcoming the violent reactions of the fluctuations of rainfall on agriculture. A bad monsoon is now accompanied with worse effects on cultivation than previously. Among the specially precarious areas, where an almost complete crop failure must be anticipated in the event of a bad monsoon, are Bundelkhand, parts of Muttra district, the Bah tahsil in the Agra and the Bhur tract in the Central districts. Thirdly, an examination of the figures of irrigation of these districts between the years 1891—1921 goes to show that in the more recent famine years there is a sudden shrinkage of areas irrigated from wells below the normal, and, instead of an expansion of canal-irrigated areas, we have rather a tendency towards diminution. A famine in the future accordingly must imply greater hardship due to diminution of resistance. In striking contrast we find that in the eastern districts there is a steady increase of well-irrigated area through all these decades and, in years of famine, the area expands suddenly to meet the emergency. Thus canal-irrigation can cope less successfully with bad rainfall years than well-irrigation, and the situation is rendered worse by the fact that canals in years of normal rainfall have to serve such wide cultivated areas that it is impossible during drought to provide an adequate supply of water.

The situation must be considered alarming. Many of these districts, especially the canal-irrigated ones, have relatively high density and the decreasing resistance which irrigation works now offer against the fluctuations of rainfall supports the fear that some of the world's greatest engineering schemes have brought about a prosperity during the last few decades, phenomenal no doubt, but exhibiting to some extent the nature of a mushroom growth under unfavourable natural conditions. Perhaps the very prosperity brought about artificially will bring about greater hard-

ships than would have been inflicted had the increase of population adjusted itself normally to natural conditions of soil and water-supply.

We have exhibited for successive famine years the contrasted conditions that have developed in the Upper Ganges Valley and in the eastern portion. There is clear indication that in the well-irrigated districts there is exhibited more or less a tendency towards reaching the normal cultivated area even when there is deficient rainfall and famine conditions prevalent in the western regions. The deficiency in the net cultivated area in the well-irrigated districts that we have considered during our famine years has never exceeded 4 per cent., while in the canal districts the deficiency has reached as much as 40 per cent. On the other hand, the canal districts have continuously shown a tendency of departing more and more steeply from normal cultivation and show that they are less and less able to cope with the deficiency of normal rainfall. Indeed, the study of these famine years indicates that for the well-irrigated districts we have soon to revise our normals for net cultivated area and rainfall arrived at by mere geographical study. Man's control of the environment in the direction of water-supply and adaptive succession of crops must here be considered, for the natural conditions which bring about famine and scarcity show a diminishing potency. On the other hand, the optimum conditions of famine and scarcity are clearly discernible in the Upper Ganges Valley in spite of the most marvellous progress of canal irrigation.

Such conditions are represented by the following:—

Region.	Average rainfall. Inches.	Actual rainfall. Inches.	Percentage of rainfall deficiency.	Deficiency of area cropped. Per cent.
Upper Ganges				
Plain (Western)	30	12—16	50	15—25

In the Middle Ganges Plain (eastern) wells have provided such complete insurance that even a deficiency of 50 per cent. rainfall (*i.e.*, a rainfall of 25—30 inches) hardly leads to a shrinkage in the area cropped.

*Table of Index of Aridity in the United Provinces.*

Districts.	Indices of aridity.		
Muttra	...	...	15.5
Aligarh	...	...	17.0
Agra	...	.	17.0
Etah	...	...	18.2
Unao	...	...	19.5
Meerut	...	...	21.2
Mainpuri	...	...	21.2
Etawah	...	...	21.5
Muzaffarnagar	...	...	22.0
Jhansi	...	...	22.0
Farrukhabad	...	...	22.0
Hardoi	...	...	23.0
Cawnpore	...	...	23.0
Budaon	...	...	23.4
Rae Bareli	...	.	26.8
Partabgarh	...	...	27.78
Allahabad	...	...	28.5
Saharanpur	...	.	28.7
Benares	...	...	29.4
Bahraich	...	...	35.1
Bareilly	...	...	35.1
Gorakhpur	...	...	37.8

*Index of Aridity in the Great Indian Desert,*

Jaisalwar	...	...	3.4
Bikaner	...	...	9

*Index of Aridity in the Semi-arid Tracts.*

Sirsa	...	...	16.5
Jaipur	...	...	17.0

*Comparison of Index of Aridity with Irrigation.*

Districts arranged in the order of the index of aridity.		Index of aridity.	Percentage of gross cultivated area which is irrigated.	Order according to irrigation.
Dry Steppe.	Muttia ...	15.5	35.7	7
	Aligarh ...	17.0	48.1	2
	Agra ...	17.0	25.0	13
	Etah ...	18.2	41.5	5
Prairie	Meerut ...	21.2	47.7	3
	Mainpuri ...	21.2	50.6	1
	Etawah ...	21.5	41.3	6
	Muzaffarnagar ...	22.0	47.2	4
	Jhansi ...	22.0	34.30	10
	Farrukhabad ...	22.0	30.92	12
	Cawnpore ...	23.0	35.0	8
	Hardoi ...	23.0	34.66	9
	Budaon ...	23.4	32.80	11

From the above table we can have some measure of the precariousness of the tract. The index of aridity as devised by Prof. Emmanuel de Martonne is a climatic function of great value for explaining conditions of drainage and vegetation. Indeed, such a combination of temperature and rainfall explains the character of the vegetative cover much more adequately than rainfall alone. According to Professor Martonne indices below 5 characterise the true deserts from the botanical as well as the hydrographical point of view; indices about 10 correspond with the dry steppes; those of 20 more or less to the prairies; above 30 forest vegetation tends to predominate and gains complete control of the soil where the index exceeds 40 provided that the temperatures are not too low. The relation with agricultural possibilities may also be noted. No cultivation is possible without irrigation where the index of aridity is below 10; between 10 and

20 is the domain of dry farming. The districts in the dry steppes are naturally more precarious than the districts in the prairie. Secondly, artificial irrigation has been more developed in most of the prairie districts than in the steppes. Indeed, the position of the districts in the dry steppe below those which are in the prairie, so far as the order according to protection by irrigation is concerned, indicates a natural unfavourableness which man's control of water-supply has hardly combated. Our study of the famine years corroborates the results of such comparison. The deficiency in the cropping in the famine years in Aligarh, for instance, has been much lower in the famine years than Agra, thereby indicating the insurance from irrigation. Similarly, the exceptionally critical character of Muttra's agricultural situation is clearly borne out by its low place in the order according to irrigation as compared with its highest aridity index.

We may group the districts in a black list in a descending order, so far as liability to famines is concerned, in the following manner based on a comparison between conditions of aridity and agricultural security from artificial water-supply:

1. Agra.
2. Muttra.
3. Farrukhabad.
4. Etah.
5. Jhansi.
6. Aligarh.
7. Etawah.

All the above districts, indeed, have exhibited declining conditions and lost in numbers as revealed by the censuses. Any departure from the normal rainfall produces its greatest effects in these districts. It is noteworthy that these districts are found in a more or less compact area. Mainpuri and the districts of Bulandshahr, Meerut and Muzaffarnagar prove exceptions. The explanation is not far to seek. Mainpuri has the largest percentage of cultivated area which is irrigated in this region, while the other districts are protected to a much greater extent by the upper and more

reliable portions of the Ganges-Jumna Canal System. Where water-supply is available with the greatest difficulty, cultivation involves a great strain on both cattle and human power. There is a limit beyond which men and bullocks cannot exert, and at times of prolonged drought it is reached sooner than when some rainy days intervene between months of deficient or no rainfall.

The characteristics of water-supply and agriculture of the natural regions into which the Ganges Valley may be divided may be tabulated as follows:—

#### (A) The Upper Ganges Plain.

We have here a continental climate of a pronounced character, hot summer alternating with winter cold. There is a clearly defined alternation of rainy and dry season. As we move eastward, both the length of the rainy season and amount of rainfall diminish. The annual precipitation varies from 25 to 30 inches and is much more unevenly distributed than in the eastern portion of the plain. There are two contrasted agricultural seasons, *kharif* and *rabi*. In the *rabi* the wheat and barley dominate, depending mainly upon canal irrigation. The mean "rain factor" here is 35. It is a meteorological peculiarity of the Ganges Doab that more than any other part of India, with the sole exception of the arid tract farther west, it is peculiarly subject to vicissitudes of rainfall. Thus the least deviation of the monsoon would first register its effects upon this portion of the plain, whatever may be the fate of other portions. This region has also the world's greatest canal system which is responsible for altering the whole character of its cropping and distribution of population. Canal irrigation has reached its limits, and the growth of agricultural prosperity has now been eclipsed by the progress of agriculture in the eastern districts with superior advantages of rainfall and well-irrigation, coupled with an arranged succession of leguminous crops with rice.

Strong hot and intensely dry winds blow from the west with great persistence during summer, and traverse the entire plain up to the boundaries of Bengal. These have a marked effect on the summer vegetation, which become less prominent as we move towards damper conditions in the east.

**(B) The Middle Plain  
(Central).**

Wheat and barley diminish in importance. Dominance of the rice crop follows a rainfall between 40 and 50 inches and accompanies higher rural density than the normal. The mean rain factor is 50. Agricultural certainty is yet ensured by the wheat and barley crop based on well-irrigation, which has reached a limit in some of these rice districts. This region exhibits the most phenomenal expansion of the well system in the world. But a slight fluctuation in the amount and character of rainfall leads to shrinkages of the normal *kharif* area, and reacts unfavourably upon the general condition of the peasant. Well-irrigation is of little avail for the protection of *kharif* in case of a bad monsoon. This is rare but when it occurs, even the *rabi* is endangered as the land cannot be tilled exposing the region to famine conditions.

**(C) The Middle Plain  
(Eastern, including Bihar).**

The climate of Bihar is more akin to that of the United Provinces than to that of Lower Bengal, but damper especially in the eastern districts and to a certain extent transitional between the two. An earlier monsoon gives three instead of two seasonal crops. The rainfall in winter is less than on the plain farther west. In North Bihar the average rainfall is 53 and in South Bihar 45 inches. Dominance of rice crop accompanies lower rural density than the normal. Rice is of two varieties, early and winter. The dominance of the latter implies greater insecurity and risk from famine. *Rabi* crops here co-exist with greater agricultural security or immunity from famines and larger density of population than the normal.

The *rabi* crop differs, however, materially from that in the westerly regions. Wheat is of far less im-



portance. *Khesari*, which is responsible for much of the *rabi* acreage, is principally grown as a second crop after rice. Well and tank irrigation are far less developed than in the United Provinces. Agricultural prosperity is bound up not with the rice harvest which, like the *kharif* in the United Provinces, cannot be saved by irrigation in case of a bad monsoon, but with the *rabi* crop. As in the United Provinces, the *rabi* depends upon irrigation. Here private canals, tanks, wells and *bils* are far more important than the Government canals.

#### (D) The Deltas.

The climate is characterised by unvarying warmth in conjunction with a uniform damp atmosphere. Rainfall is abundant, certain and better distributed, and the temperature is more equable than in the western part of the plain. There is a direct correspondence, district by district, between the double-cropped area and the population density, but the influence of rainfall, which is both high and constant, is less evident. Unlike the United Provinces and Bihar, agriculture is not entirely dependent upon local rainfall. Floods play a more important part than rain in the fortune of the wet-region crop, rice. The delta rivers with their timely inundations are responsible for an arranged succession of leguminous crops and pulses along with rice which is nowhere endangered by an unfavourable monsoon, nor needs the assistance of deep well-irrigation.

In Western and Central portion of the delta, however, alluvial formation has been completed and the rivers have ceased to be active. Here crops, never so abundant, depend mainly, as in the more westerly portion of the valley, on the amount and distribution of local rainfall.

The above survey of climatic and agricultural conditions gives us the following ecologic conclusions which govern the distribution of population:—

1. In the Western and Upper part of the plain the limiting factor in agriculture is represented by a rainfall of 30 inches and a monsoon factor of 35 arrived at by dividing the rainfall in millimeters by temperature centigrade. Irrigation under such conditions fails to have any effect upon density.
2. Throughout the United Provinces it is both rainfall and irrigation which together govern primarily the proportion of cultivated area, and secondarily the density of rural population.
3. This part of the plain is most susceptible to the fluctuations of the monsoon, which have violent reactions especially upon the *khari* area. Most canals are *rabi* works and though the *khari* areas are even better protected by wells, the least disturbance of the amount and character of the rainfall spells conditions of shrinkage of cropped area and scarcity.
4. As we come to Bihar, the rainfall averages 49 inches as compared with 34 inches of the United Provinces. The early summer crop like the *khari* in U. P. is subjected to similar fluctuations. As in the United Provinces immunity from famines depends in like manner upon the acreage under *rabi* which also has a direct positive correlation with rural density. The United Provinces mainly depends upon canals and Bihar upon wells for the *rabi* crops. But Bihar, though favoured with higher average and more evenly distributed rainfall, is less adequately protected by

canals and her well-construction also falls much below the limit reached by the United Provinces, especially in the eastern districts. Thus the Tirhoot division, which resembles the eastern districts of the United Provinces in its dependence for rice upon early monsoon, is one of the worst famine areas in India.

5. In Bengal the rainfall averages 76.54 inches. But the early rainfall is not certain. Hence agricultural density increases with less dependence upon the summer crop *aus*, whose success depends upon a favourable early rainfall.
6. The delta may be divided into moribund and active upper and lower portions. The great delta of the Ganges and the Brahmaputra has moved gradually to the east. Throughout a large portion of the Bengal delta the process of land formation has ended and the rivers have not only ceased to enrich the land with annual deposits of silt, but actually bring about disease by becoming stagnant and choked with vegetation. In Central and Western Bengal man is now fighting a losing battle with natural forces of deterioration and disease. Eastern Bengal, on the other hand, forms a portion of the active delta; it is a wide alluvial expanse of open drainage and delta-building rivers, while so much of the rest of the province is characterised by a moribund river system and an obstructed drainage. Thus Eastern Bengal is the most populous and most productive portion of the Ganges Valley; it is here that we meet with the most thickly populated rural areas in the whole world. As we move further and further towards the Bay, the soil-fertility increases due to the inundations from two river systems. The difference in soil types, as represented by the old and the new alluvium and the remoteness or nearness from the active silt-laden rivers, for the most part accounts for the difference

between the agricultural depression in Central and Western Bengal and the prosperity in Eastern Bengal. In East Bengal, not merely is the tract enriched by the detritus from two different river systems, but the average rainfall becomes heavier as we descend along the courses of the rivers. Thus both the double-cropped area and the area under *aman* increase and co-exist with greater rural density. Practically the whole of the arable land in the districts of Bakarganj and Noakhali, for instance, is in winter one smiling field of *aman* paddy; in these districts again the wealth derived from orchards such as those of cocoanut, arecanut, etc., which grow most successfully in a high sandy soil rich in salt, also contributes to high rural density, as in Cochin and Travancore.

7. The early summer crop is most uncertain under monsoon conditions. The dominance of this throughout the entire area of the Gangetic Plain spells agricultural insecurity. The winter crop is governed by canal irrigation in the western portion, by well irrigation in the middle portion of the plain and by flood irrigation in the deltas. Differences of mean temperature in different agricultural seasons diminish as we move from the continent to the sea. The contrasts of croppings due to temperature and rainfall conditions gradually disappear and we finally come across an elaborately arranged succession of croppings which is responsible for phenomenal agricultural productivity leading to the world's highest records of rural density.
8. The maturity of the plain leaves its impress upon both the nature and the rotation of crops. The old alluvial soils naturally have to depend upon the artificial supply of manures to maintain their fertility while the new alluvial soils are periodically

replenished by silt deposits from the overflowing rivers. Given artificial manuring and irrigation, the standard of farming is, generally speaking, much higher and the cropping more variegated in the old alluvium than in the new. As we approach the delta fringes, manure plays a decreasing role in farming till we reach areas where the value of any given field is determined not so much by the soil but by the depth of the water which stands on it during the rainy season. Secondly, in the tract covered by the new alluvium, the periodical deposits of river silt maintain a perfectly level surface adapted for rice cultivation. The surface of the old alluvium, on the other hand, is broken by the scouring action of the rivers and of surface drainage and the level of the country rises and falls in parallel waves at right angles to the watershed, the crest of each wave lying midway between two rivers. Rice cultivation, here, is carried on by building an elaborate system of low embankments or small terraces which hold up the rain water for irrigation. Where this is impossible or uneconomical, wheat, gram and millets supersede rice.

What rainfall is best suited to the conditions of agriculture in the wet and dry low latitude climate, where an aquatic plant like rice has been adapted in its innumerable varieties to the conditions of moderate and excessive rainfall, raises a very interesting problem. We take first the eastern deltaic region where rainfall is heaviest and rice is mostly grown as the main stay of an abnormally dense population :

Districts arranged in the order of diminishing rainfall.	Density.	Rainfall.	Percentage of cultivable area.	
			Net cultivated.	Double cropped.
Jalpaiguri	... 319	142	61.5	10.5
Noakhali	... 972	114	87.0	31.9
Chittagong	... 645	113	85.2	8.2

Districts arranged in the order of diminishing rainfall.	Density.	Rainfall.	Percentage of cultivable area.	
			Net culti- vated.	Double cropped.
Bakarganj	... 752	89	88.3	14.7
Mymensingh	... 776	88	86.5	26.2
Rangpur	... 770	80	72.7	5.2
Dacca	... 1,148	75	94.1	20.1
Faaidpur	... 947	73	97.9	14.8
Dinajpur	... 432	71	65.0	.5
Bogra	... 760	66	61.7	32.7
24-Parganas	... 541	63	59.7	10.1
Murshidabad	... 595	55	44.5	15.2
Nadia	... 535	55	44.7	17.1

The conditions are complicated by the fact that it is in the inundated alluvial tracts that we find a heavy rainfall. It appears, however, that a rainfall above 120 inches may be considered as excessive under the conditions of wet-crop cultivation in the region of the Ganges Delta. An average precipitation of 70 inches to 90 inches and high relative humidity during the rainy season are here most favourable for the cultivation of rice and jute. A rainfall below 70 inches is accompanied by a relative diminution of the area under cultivation and under more than one crop and hence of rural density. In the region of the Upper Ganges Plain rainfall will be considered insufficient when it falls below 30 inches. A deficiency below this limit cannot be compensated by irrigation, however extended it might be.

We proceed to classify the ecological areas of the Gangetic Plain and show their relation to the proportion of cropped area and the distribution of rural density:

*Ecological Areas in the Ganges Plain.*

Warm temperate climate. Wet and dry low latitude.	Excessive rain-fall.	Optimum rain-fall.	Insufficient rain-fall.	Annual range of temperature.	Percentage of gross cultivated area.	Mean density of population per sq. mile.	Optimum density.	Possible density with a lower standard of living.
	Inches.	Inches.	Inches.					
The Upper Ganges Plain (Western)	60	45	30	78°F	100	500	300	700
The Middle Ganges Plain (Central)	65	38	30	75°F	90	550	500	850
The Middle Ganges Plain (Eastern, including Bihar)	70	60	45	68°F	110	650	600	1,000
Moribund Delta	100	65	60	63°F	60	550	500	525
Active Delta	120	80	...	52°F	120	875	1,000	2,000

Climate Warm temperate Low latitude	Region	Rainfall.		Index of aridity.	Mean annual range of temperature.	Density.
		Excessive	Insufficient			
		Inches	Inches			
Desert	The Great Indian Desert	..	10	3 to 10	90°F	2-50
Semi-arid	The Rajasthan Upland	40	15	10 to 15	82°F	100-150



The above may be contrasted with the following scale which is related mainly to the conditions of cultivation of the cereal foods of western civilisation and is based on studies of the distribution of cultivated land : \*

		Rainfall in inches.	
		Excessive.	Insufficient.
Cool temperate lands	...	... 40	8
Warm temperate lands	...	... 60	12
Hot temperate lands	...	... 80	18

We give below a table which shows the distribution of the world's rainfall :

		Under 20 inches.	20 to 40 inches.	Over 40 inches.
Africa	...	54 p.c. largely hot.	18 p.c.	28 p.c.
Asia	...	67 p.c. largely cool.	18 „	15 „
North America	52 p.c.	...	30 „	18 „
Europe	47 „	...	49 „	4 „
South America	16 „	...	8 „	7 „

\* Fawcett : On the Distribution of Population over the Land—*The Sociological Review*, April, 1925.

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# CO-OPERATIVE MARKETING

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## SUMMARY.

The Paper opens with an examination of the difficulties of the marketing of agricultural goods in general and then enumerates the special difficulties in India. Elimination of middlemen through co-operation is suggested as the remedy.

From the history of the movement abroad, three fundamental principles are laid down for the inception of agricultural co-operation, *viz.*, impelling necessity, inspiring leadership and clear thinking. Details of co-operative marketing of fibrous products (cotton, flax, silk and wool) in foreign countries are considered with special emphasis on features common to India, followed by an examination of the defects of marketing methods and the difficulties of co-operative sale societies for cotton and jute in India. There is a similar discussion for wheat-marketing in foreign countries and in India.

The article is concluded with a plea for detailed study of individual markets and propaganda for co-operative pools on a system of local option.

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## IMPORTANCE OF MARKETING.

With the Royal Commission on Agriculture in session, interest has been naturally aroused in various aspects of agriculture, but unfortunately the problem of marketing has not received the attention it deserves. So long as the cultivator is in the present unhappy position of asking "what is the price" at the time of buying

as well as of selling, so long as he has to effect his purchases dear and his sales cheap, there can be no appreciable improvement even if his output is better in quality and bigger in quantity. Of the purchase and sale again, the latter is in the worse position, specially in India.

## DIFFICULTIES OF MARKETING IN GENERAL.

As a matter of fact, the marketing of agricultural goods is a very difficult affair all the world over. It is much more difficult than the marketing of manufactured products. For one thing, agriculture is dependent on the uncertainties of nature in the matter of temperature and rainfall. For another, even a promising harvest may be suddenly spoilt by the depredations of tiny pests like boll-weevil, black rust or phylloxera. Apart from these, one cannot regulate production in accordance with demand even by international agreements. The Rubber Restriction Scheme of Britain, the Coffee Valorisation Scheme of Brazil, the Cotton Restriction Scheme of the U.S.A., etc., have been found to be much more difficult in operation than, say, the International Steel Combine. Seasonal production, bulky and perishable nature of the goods, etc., also raise complex issues absent in the case of manufacturing industries.

## SPECIAL DIFFICULTIES IN INDIA.

### (1) SMALL HOLDINGS.

Over and above these, there are special difficulties in India. It is not possible to generalise for such a big country with its different parts in such widely dissimilar economic conditions, but the following points may be noted. India is a land of small holdings and the produce of each unit has to be marketed separately. If goods are not bulked, adoption of up-to-date marketing methods is clearly impossible. Expert grading and packing, efficiency in the matter of transport, finance, insurance and warehousing,—in fact any of the indispensable features of modern commerce,—cannot

even be thought of. Yet it should not be forgotten that archaic methods of marketing detract considerably from the value of modern farming. Bigger and better crops by themselves will not improve matters unless they fetch better prices. As has been pointed out by a competent authority, the fertility of the soil is of much less importance than the fertility of the brain controlling the soil and its produce. "The former kind of fertility is, and may remain, a capacity only; the latter is an energy."

### (2) COSTLY FINANCING.

One result of small holdings is that financing cannot be properly organised and has to be effected locally, making it at once costly and wasteful. In the course of his evidence before the Agricultural Commission, Dr. Mann stated that in Khandesh the cotton-growers were not dependent on money-lenders. If that is so, that is probably the only instance of financial independence of cultivators. In some outlying areas, things are very bad indeed. It has been reported by an experienced Bengal official that cardamom sold in Darjeeling at Rs. 60 to Rs. 95 a maund in 1925, whereas the cultivators obtained on an average Rs. 30, sometimes as low as Rs. 12, because they had obtained advances from the ring of Marwaris, who control the trade. This is not an exception but the rule, for the system of financing is exceedingly complex, as described in the Appendix to the Report of the Babington Smith Currency Committee. A rough idea may be obtained from a study of the process at present obtaining in Assam. The big *mahajan* gets his money from his Calcutta firm or bankers at 6 to 9 per cent. He charges 12 to 15 per cent. from the smaller *mahajan*, who in his turn levies anything from 18 to 30 per cent. on local traders. By the time finance filters down to the actual cultivators, the interest rate is anywhere between 24 and 60 per cent.

### (3) UNNECESSARY MIDDLEMEN.

The small unit and the impecuniosity of the cultivator necessitate the employment of a large number of middlemen. It is true that for the marketing of food crops and low-valued crops,

there are fewer intermediaries than for commercial crops and high-valued crops. But even in the case of the former, there are far too many, specially if the producing areas are at a distance from the markets. Perishable commodities like potatoes should change as few hands as possible. But at Poona there are at least five *adatyas* or brokers representing sellers through whom potatoes must pass before they reach, not the actual buyer, but another intermediary, a representative of the buyer called a *dalal*. In the case of paddy in Bengal, it is collected by a village *faria* (small dealer) from the *ryot* (cultivator) and sold through a *paikar* (wholesaler) to a *bepari*, who is either a dealer on his own account or merely a commission agent, financed by another middleman higher up the chain. A *bepari* cannot sell the *dhan* or unhusked paddy directly to the mills but must carry it to an *aratdar* (godown-keeper), who levies not only his usual charges but also commission. From him the paddy goes to a *dalal* (broker) who charges Rs. 3 per 100 maunds on an average and finally to mills.

#### (4) THEIR MALPRACTICES.

These different classes of persons not only take middlemen's profits without performing any commensurate economic service, but they frequently practise rogueries of the worst description. In the Report of the Mango Marketing Committee published recently by the Bombay Government, a vivid description is given of secret buying without the knowledge of the producer. The *dalal* (buyer's broker) will not deal directly with the seller but only with an *adatyā* (seller's broker), and bargains are struck secretly by manipulation under a cloth. Even in an organised cotton market like Amraoti, a Government Officer on special duty recently found out from the books of different *adatyas* that the price paid to cultivators was often lower than the price obtained from buyers.

#### (5) CHAOTIC MEASURES OF WEIGHT:

Apart from this, there are malpractices on account of different measures of weight in use for different purposes. In the *gul* (unrefined Indian sugar) market in Poona, the producer has to

deliver 256 lb. per *palla* but the middleman sells at 240 lb. per *palla*. In the case of tobacco, the *adaiya* buys at 300 lb. per *palla* and sells at 280 lb. per *palla*. Besides, there is almost a bewildering diversity in measures of weight in different places, and even in the same place for different commodities. To give only one instance, in Jalpaiguri (Bengal) the local weight is 93 tolas but Habigunge tobacco, for which it is a great centre, is dealt in on the basis of 80 tolas. Illiteracy on the part of the ryot is as much responsible for the state of affairs as is the action or rather the inaction on the part of the Government. As early as October, 1913, the Government of India appointed a committee to go into the matter, and in their resolution dated January 3, 1922, declared themselves in favour of adopting throughout India the system of weights at present in vogue on railways. But nothing further has been done.

#### (6) CORRUPT WEIGHING.

The weighman (called *koyal* in Bengal) is an employee of the buyer and frequently manipulates the scales to the detriment of the seller. The evil is well-known in Bengal and loudly calls out for reform. Even in the case of organised cotton markets, Rao Bahadur K. V. Brahma of the Berar Co-operative Institute is constrained to plead for platform scales in place of the present beam scales as a check to the knavery of the weighman. In fact, the justification for the existence of the Cotton Sale Society at Pachora (the only surviving society in Khandesh, and that even not a co-operative body in spite of vigorous propaganda) is simply that it secures fair weighing.

#### (7) ARBITRARY DEDUCTIONS.

At the time of weighing, various arbitrary deductions are made, some of which are enumerated below:—

- (a) *Vritti*, a customary allowance for Hindu religious and charitable purposes. The name differs in different parts of India but the practice obtains everywhere.
- (b) *Dhalta*, allowance for drying.

- (c) *Muthi Kabari*, "handful" for staff.
- (d) *Kharcha* (also called *jharai bojai*), allowance for bagging and stacking.
- (e) *Newaj*, deduction for mosques and Muhammadan charities.
- (f) *Koyali*, weighman's allowance.
- (g) *Hamali*, portorage charges.

#### (8) ADULTERATION.

Absence of grading lowers considerably the price of the produce. This is insisted upon in the Report of the Mango Marketing Committee referred to above. But in the case of export crops, grading is far more necessary. Unfortunately, however, unscrupulous dealers seize every opportunity for making unjust profits. Very soon after the introduction of 4F American cotton in the Punjab, it was discovered that the *deshi* and 4F could be mixed without buyers being able to detect it. This could not be done at the *kapas* stage (cotton with seeds on) by cultivators, for the seeds were different. It was the middlemen, who were responsible for this adulteration. Similarly, in the old days when the basis for red wheat in the Punjab was 7 per cent. barley and 3 per cent. dirt, dealers used to mix up barley and dirt with consignments of wheat which were above this standard.

#### (9) LACK OF WAREHOUSING AND TRANSPORT FACILITIES.

Warehousing and transport are very inadequately developed. If a cultivator lives away from a market, he is in a very difficult position indeed. He has to send his produce in the time-honoured bullock-cart over bad roads at considerable expense. If he cannot obtain a fair price, he can neither store his produce in the distant market, nor can he bring it back to his village. It is for this reason that small itinerant dealers like *farias* can carry on trade under such unfair conditions. Apart from this railway transport is inadequate. There is a chronic shortage of waggons during the crop-moving seasons, precisely when they are most urgently

required. Freight is also very costly, as will appear from the following table compiled by Rao Bahadur P. C. Patil:—

Railway System.	Freight for carrying one ton of Wheat through 200 miles.
United States      ...      ..      ...	Rs. 7'56
Madras and Southern Mahratta Railway	„ 10'32
Great Indian Peninsula Railway      ...	„ 11'07

#### (10) DIFFERENT MARKETING METHODS.

There is no uniformity in marketing methods, rendering an All-India Act for regulating market, and licensing middlemen impossible. There are, on the one hand, several remote areas where barter is still in vogue, *e.g.*, in the outlying parts of Assam and the Agency and hill tracts of Madras. There are, on the other, several highly organised markets where futures alone are dealt in even by cultivators, *e.g.*, in Nandyal Cotton Market in Madras.

#### “SWAT THE MIDDLEMAN.”

How are these difficulties to be removed? Wherein lies the remedy? It is clearly impossible to follow a supine policy of *laissez-faire*, when the buyers and sellers are of such unequal economic strength. If the ryot can be properly organised and made independent of middlemen with their numerous malpractices, most of the evils enumerated above will be removed. A systematic attempt “to swat the middleman” is therefore clearly called for. To quote the words of a report issued by the State of Massachusetts, “a long line of commission men, produce merchants, jobbers, hucksters, retailers and what not simply passing goods from hand to hand like a bucket brigade at a fire is not only inefficient and wasteful, but is very costly. In these days, a hydrant and a line of hose are wanted,”



### “ CO-OPERATION.”

As soon as the question of eliminating middlemen crops up, co-operation is suggested as the remedy. But it is forgotten that co-operation is a worldwide movement which has assumed different forms in different countries in conformity with their history and their social and economic circumstances. Co-operative marketing being a kind of agricultural co-operation has almost endless diversity. There can be no artificial uniformity in respect of anything connected with agriculture, for that must obviously be a reflex of the people and the soil. A study of the system prevailing in foreign countries will however be helpful, if it is possible to deduce certain general principles and correlate them with circumstances prevailing in India.

### NECESSITY, THE MOTHER OF CO-OPERATION.

The one fact that emerges clearly from a study of agricultural co-operation all the world over is that there must be the pinch of an impelling necessity. During the middle ages, when the Swiss farmers keenly felt the necessity of diminishing their toil and increasing their income, by forming groups and delegating from among themselves by rotation one member for manufacturing cheese and another for selling it in a distant market, it is then and then only that “Fruitières” came to be established. To give a modern instance, the little country of Denmark leads the way in agricultural co-operation at present. What is her history? Before the war of 1858, she had extensive agricultural and pastoral industries which had their markets in Germany. The loss of this market and the growing competition from America drove her to the production of breakfast table commodities and that for a different market. The history of Danish co-operation begins with the history of this transition in Danish agriculture.\* The story

\*The important discovery of the method of pasteurisation was the direct result of co-operative dairying in Denmark and has since spread to other countries.

of co-operative marketing of wheat, cotton and other staple crops in different parts of the world also points to some impelling necessity as the mother of co-operation. It may be conceded that there can be no country where this necessity is more urgent than in India. But the question is, whether the people, who are sought to be co-operatively organised, *themselves* feel this necessity. In its absence, one cannot look for loyalty on their part to the society which is bound to prove a failure in consequence.

### LEADERSHIP.

Necessity by itself cannot set up a co-operative organisation. There must be leadership. Ireland had been suffering from a long agony of economic distress and political strife, but there was no organised attempt at co-operation before the advent of Sir Horace Plunkett with his gospel of "better farming, better business and better living." Similarly in the case of Finland, which has been one of the best modern examples of what co-operation can do towards building up a prosperous agricultural country, it was the devoted work of the pioneer, Dr. Hannes Gebhard, "the father of Finnish Co-operation" which achieved success in spite of sparse population, poor communications, low level of popular education and lack of sympathy on the part of the ruling class. Beginning with co-operative production and distribution through the Pellervo Society in 1899, schemes for co-operative sale materialised into the "Vallio" Butter Export Co-operative Society in 1905, which in 1924 handled 92 per cent. of butter and 70 per cent. of the cheese leaving Finland. There is a general characteristic of this movement for agricultural co-operation which calls for more than a passing notice. There has been in its origin in every country, and there has been retained throughout its growth, an idealism which has given to it something more than an economic impulse. Whether it was the patriotism of Denmark smarting under the defeat of 1858, whether it was the religious and social culture which provided the spring of co-operation in Belgium, whether it was the importance of character called for by the principle of

unlimited liability preached by Raiffeisen, who was moved as no other man was moved by the agonies of German peasant in the grip of money-lenders—in every case there was something akin to religious fervour in the inception of the movement. No wonder therefore, that inspiring leadership is a *sine qua non* for success. But unfortunately although rural reconstruction is now in the very air, evangelists for agricultural co-operation are rare in India whether among officials or among non-officials. In Bengal, the Co-operative Organisation Society is a non-official body with State subsidy, which is charged with carrying on propaganda in the countryside. Bodies like these in other parts of India must take the lead in the matter.

### CLEAR THINKING.

The third lesson derived from a study of agricultural co-operation is the supreme need for having an accurate stock of the present position. A feeling of vague discontent with the existing order is not enough, even when brought home by an inspiring leader. There can be no appreciable improvement before there is systematic study of the present defects in marketing and clear thinking about how they may be removed. As pointed out in a recent report to the Ministry of Agriculture and Fisheries on the lack of development of agricultural co-operation in Great Britain, the following questions must be answered before co-operative sale is attempted:—

- (a) What are the present defects in marketing methods?  
Are they capable of improvement through co-operation?
- (b) Have the sympathy and the goodwill of the local cultivators been adequately secured?
- (c) Is the volume of business sufficient to maintain the society?
- (d) Has enough provision been made for finance and also for godowns, plants and other necessary equipments?
- (e) Will middlemen be sufficiently eliminated to effect an appreciable saving to cultivators through efficient grading, avoidance of waste, etc. ?

In other words, all details must be carefully threshed out in the light of experience gained in foreign countries and also conditions prevailing here.

### COTTON SALE SOCIETIES IN U.S.A.

To take only one example, that of cotton, there is a wealth of foreign experience. U.S.A., which is by far the largest producer of cotton, set up the American Cotton Growers' Exchange, driven by the crisis of 1920-21. It is a gigantic business organisation with its headquarters at Memphis and agencies in all the principal cotton exchanges in the country. It has foreign agencies in the ports of Liverpool, Havre, Bremen, Barcelona and Kobe, besides a large number of representatives at minor ports. There are thirteen member associations in the U.S.A., which effect all their foreign sales through it. One of them, the Texas Association, has devised a novel method of assuring to each farmer the proper price for his cotton. Each bale is carefully sampled and graded and "a co-efficient of relative economic value" assigned to it. The sale-proceeds are distributed not on the basis of gross weights supplied, but the weights as multiplied by the appropriate "co-efficients." This may be antagonistic to the root idea of "each for all and all for each," but it certainly provides a stimulus to improvement in quality. Another member of the Exchange, the Staple Cotton Co-operative Association, has specialised in effecting sales directly to spinning factories. The percentage of such direct sales has steadily improved as shown in the following table:—

Year.				Percentage of direct sales to total sales.
1921-22	..	.	...	53'0
1922-23	..	..	..	81'4
1923-24	...	...	.	89'8
1924-25	...	..	..	91'9

The expenses for marketing works out to 3.16 per cent. gross and 1.20 per cent. net on an average for these four years. During 1925-26, the co-operative societies together handled 1,488,000 bales or 9.30 per cent. of the total production. In South Africa, co-operative marketing is in its infancy. In Egypt, the movement has not yet been started.

## SALE OF OTHER FIBRES ABROAD.

### (A) FLAX.

The story of co-operative marketing of fibres other than cotton is also instructive. For instance, let us take the case of flax. Before the war, the greatest flax-exporting country was Russia. Marketing of flax has had a chequered history in that unhappy country. Leaving out the distant past, the only co-operative organisation which rose to the dignity of a national union during the war was the "Central Union of Flax Growers" founded in 1915, with the double object of improving the quality of the produce and obtaining proper price for it, by providing warehouses and arranging for efficient grading at the primary societies and also at the union. During the Bolshevik regime, this union and also other organisations like that of Hemp Growers were put out of business because they were not direct producers, and the Soviet Government declared a monopoly of flax, leather, wool and other products. But co-operation cannot die. The Government were constrained to pass the decree of August 16, 1921, conceding to peasants the right to organise "artels" (agricultural co-operative associations) and also unions. In that year was formed the "Lnocentre," the present federation of flax-growers' co-operative societies. During 1925, from 30 to 35 per cent. of the total export was furnished partly by "Lnocentre" and partly by "Centrosojus," the central organisation of distributive co-operative societies.

### (B) SILK.

A study of the marketing of silk in Japan is of special interest to a country with small units of production like India, for silk can be produced most efficiently only in small lots, but it must

be bulked, graded and standardised before sale. In fact long before the Co-operative Law was passed, there were set up marketing societies on indigenous lines in Japan, the most important silk-producing country in the world at the present time. Most of the features of modern co-operative sales societies in Europe and America have now been incorporated. There has now been a clear-cut division of societies for sale of (a) cocoons, (b) spun silk and (c) silk goods, the second being easily the most important. The following special features may be noticed: first, profits credited to reserves are still divisible in the proportion of goods delivered; secondly, a special subsidy is granted to all members who hand in their entire outputs; thirdly, compensations are paid, if the price obtained by a society falls below the market-price; fourthly, the society frequently defrays the cost of cartage to induce members at a distance to send their goods. In Italy, the co-operative cotton-drying establishments started in 1920 not only eliminate bad cocoons with meticulous care, which is their main function, but also organise co-operative sales.

#### (c) Wool.

The great number of identifiable varieties of wool makes the problem of grading much more difficult than even in the case of raw jute in the hands of Bengal ryots. The *dhalta* or drying allowance in the case of jute is nothing compared to the allowance which has to be made for dirt and grease in wool, ranging from 40 per cent. to 80 per cent. Unless scouring is controlled on behalf of the producer, he cannot hope to obtain anything like the proper price. The largest wool-producing country is Australia, where organised marketing dates practically from the conclusion of the war, when there was an imperative necessity of liquidating war stocks. In Argentina, the next important wool-producing country, co-operation is now being experimented with. In the United States, however, co-operative sale is in a much more satisfactory position. Of the total production of 266,110,000 lb. in 1923, 53 district and local co-operative associations (half of which were formed since 1920) put on the market 19,647,861 lb. The method

of work of a typical society (Pacific Co-operative Wool Growers) was described in detail by its general manager, Mr. Ward, before the American Institute of Co-operation in 1925. Briefly, the aim is to deliver carefully graded wool direct to mills and reputable wool merchants, after scouring it properly in the extensive warehouses. Sales are carefully regulated in accordance with market demand. It has been claimed that "during four years of successful operation, the Association has marketed about 16,000,000 pounds of wool and mohair at prices ranging up to 15 cents per pound net more than the average outside price for similar wools." In the Union of South Africa and in Canada there are organisations for the co-operative marketing of wool, which do not however have any features of special interest to India.

### COTTON MARKETING IN INDIA.

Before we discuss the co-operative marketing of fibrous products in India, it will be necessary to review somewhat in detail the conditions at present obtaining in different markets in the country. Jute is of provincial importance, but cotton is of more than parochial interest. In C.P. and Berar, there is a big cotton market at Nagpur and a large number of smaller markets. But, paradoxical as it may seem, there is no auction of goods in most markets—only there is an auction of prices. In other words, the buyers auction among themselves the highest price to be paid to the ryot, on the receipt of telegraphic advice from Bombay, before a single bale of cotton is actually bought. It is only the lucky few among the ryots, who have their cotton regarded as of the standard quality. But the majority have to agree to a considerable reduction, varying from 28 to 40 lb. per cent., on the plea of dirt, dampness, late picking or any excuse that may be invented. In markets more happily placed, where there is free competition among buyers and sellers, the ryot gets about Rs. 2 per *khandi* more than elsewhere. In Bombay (including Sind and Indian States), marketing is in an equally deplorable condition. There is a general preference for sale to petty traders rather than

sending the goods to a distant market,\* where there is frequently a dispute about the rate after the weighing has commenced. But in that case improved varieties introduced by the Agricultural Department cannot get anything like their proper price. It was for this reason that auction markets had to be organised in Dharwar for Broach cotton about the year 1910. In Madras there are three principal markets at Nandyal, Adoni and Bellary. The first has already been referred to. In the second, agents of buying firms inspect the cotton, which is taken to the highest offeror, who however often accepts only a few *boras* (bags) and rejects the rest or accepts them only under rebates. In Bellary, cotton is frequently left with the commission agents, who advance 50 to 60 per cent. of the price, adjust the balance on the basis of their own rates, after deducting interest, rent, insurance, commission, etc. The interest is anything between 10 and 30 per cent. The commission varies usually between  $1\frac{1}{2}$  and 3 per cent., but higher rates are not unknown. If a dealer carries on the trade on his own account, he charges as much as 6 per cent.

### COTTON SALE SOCIETIES IN INDIA.

In spite of these defects, no sale society has yet been started for cotton in the Madras Presidency, although there are few societies for the marketing of arecanut and rice. In C.P. there are three cotton sale societies, which do business with members and non-members alike. A bonus is paid to members at the end of the season after adjustment of accounts. In Khandesh, as stated above, there is only one society at Pachora, all the rest having been closed, reasons being (a) inefficient management, (b) inadequate finance, (c) lack of propaganda and (d) hostility of merchants. The last feature has been very much in evidence in

\*In the course of an inquiry undertaken by the Indian Central Cotton Committee in Khandesh it transpired that :

680 growers (84.4 per cent.) sold *kapas* in villages;

97    "    (12.0    "    )    "    "    at markets through *adatyas*;

29    "    ( 3.6    "    )    "    "    both in villages and at markets.

Only 26 cultivators ginned their cotton and sold the lint. 79 out of 97 men interviewed complained of unfair deductions in price,



Dharwar also. For instance the Gadag Cotton Society was started under very good auspices in 1917. The success of the society created uneasiness among middlemen, whose pockets were touched. They organised a boycott in 1919, which was called off after suspension of business for 10 days, when the society conceded increased commission to them and recognised their lien on the goods of cultivators who had obtained advances from them. This was not however the end of the trouble. By 1925, the middlemen found out that they were being gradually excluded and organised a boycott on a more elaborate scale. First, they prevented buyers from attending the society's auctions by every means in their power. Secondly, they set up rival auctions in which they offered slightly higher prices for small lots. Thirdly, they prevailed upon cartmen, *hamals* (porters) and ginning and pressing factories not to touch society's cotton. Besides, they trespassed into the society's premises and committed various mischiefs on the plea that a *dalal* was a part-owner of the plot on which the building stood and had given notice to quit. They also spread false stories about the transfer of the Assistant Registrar of Co-operative Societies who was looking after the society. Even now the boycott continues, but happily the society has gradually increased its business as indicated below:—

Year.	Value of cotton sold.	Profit.	Share capital.	Numbers of members.	
				Individuals.	Societies.
	Rs.	Rs.	Rs.		
1920-21 ...	3,52,950	119	13,353	995	5
1921-22 ...	3,94,309	5,590	13,762	1,005	27
1922-23 ...	6,83,847	8,987	15,589	1,069	29
1923-24 ...	18,20,318	18,847	19,467	1,111	63
1924-25 ...	6,93,233	13,184	37,914	1,327	70
1925-26 ...	15,17,696	16,565	41,796	1,697	85

## MARKETING OF JUTE.

The marketing of jute follows in the main the same system as paddy described above. There are *farias*, *beparis* and *aratdars*; their charges are however higher, specially in years of short crops, and vary from 2 annas to 6 annas per maund in the case of the first, 4 annas to Re. 1 in the case of the second and 4 annas to 6 annas in the case of the third. Sometimes however when there is a convenient *hat* (market on stated days in the week) in the locality, the ryot may sell his jute directly to a *bepari*. Most of the jute *aratdars* have rude appliances for baling. These bales are not of the standard weight of 400 lb. nor of the standard size of 10  $\frac{2}{5}$  c.ft. of properly graded jute, which are necessary for the purpose of export. They are called in fact *kutchas* bales but are subject to a charge for this crude pressing. Then there are the necessary charges for bringing the jute to Calcutta, on account of handling, storing, freight, insurance, etc., which vary from 2 annas to 4 annas. The price at this stage and the price in the villages differ by Rs. 2-8 on an average, the difference amounting to anything between 20 per cent. and 30 per cent., say 25 per cent. on an average. The *kutchas* bales are taken to a power-press in Calcutta in order to be made into *pucca* bales. The baler quotes f.a.s. prices to local mills as well as to shippers, the latter quoting c.i.f. prices. But these sales are very seldom direct; a broker intervenes, sometimes with an under-broker below him.

## CO-OPERATIVE SALE.

It is no wonder therefore that co-operative sale of jute is now being experimented with in Bengal. There were 5 societies which worked during the last season but 10 are being organised this year. The movement is reported to have great possibilities, not by an ardent co-operator but a hard-headed businessman. The societies have already established a good reputation for their mark,

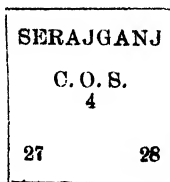
through the common selling agency for all goods of co-operative societies, *viz.*, the Calcutta Wholesale Society.\*

The working capital of a society consists partly of share capital and partly of cash credit advances obtained from the neighbouring Central Bank and the Provincial Bank. All of them have appointed European or Armenian managers with experience of jute, and have acquired suitable godowns and presses. The jute section of the Chandpur Sale and Supply Society has purchased a steam launch for quick transport. Jute is purchased outright from the ryots either directly or through *beparis*, paid and financed by the society, their work being checked by supervisors appointed for the purpose. Jute is delivered directly to a Calcutta mill, or to an export firm, the sale having been effected in the meantime through the Co-operative Wholesale Society. The societies discount with the Provincial Co-operative Bank the bills in respect of these consignments and thus square their cash credit accounts.

### CO-OPERATIVE SALE OF WHEAT ABROAD.

Co-operative marketing of wheat has had two distinct stages. In the first stage the producers form local or regional associations to set up and manage in common an "elevator" which has been described as a "hospital for drying grain if it is wet, cleaning grain if it contains foreign matter, clipping grain if it is sprouted, scouring grain if it is musty, and conditioning grain so as to improve its appearance and keeping qualities." Thus it is essentially a grading and storing appliance, although sales are frequently

\* The mark is stencilled on a strip of 11-porter hessian of the size 17"×14" as follows :—



arranged on a commission basis. But the elevator system really elevates cultivators, when they discard individual sales and deliver their products into a common "pool" under a long-period contract. This is the most advanced stage of co-operative marketing in grains but is really a copy of the old methods of Danish co-operators, which the fruit-growers of California have followed with so much success. Canada, the largest exporter of wheat, has adopted the "pooling" method since the abolition of the marketing agencies set up during the war. Alberta started the movement in 1923; Manitoba and Saskatchewan followed in 1924. After this the three provinces organised a common agency, the Canadian Wheat Producers, Ltd., which handled in 1925-26, 187,500,000 bushels, or nearly 5,100,000 lb., which is two-thirds of the total wheat export of Canada and over one-fourth of the total wheat dealt with in international trade. The agency has 36 offices in importing countries and sold directly to mills as much as 65 per cent. of the vast amount. In Australia also, during the post-war period, three separate organisations were set up for (a) State of Victoria, (b) Western Australia, (c) South Australia with New South Wales, which together handled 70 per cent. of the total export from Australia. In the United States, the elevator system is still in vogue, handling in 1924-25, 27,637,000 bushels of wheat.

### MARKETING OF WHEAT IN INDIA.

The method of marketing of wheat in India is still unsatisfactory, although some improvement has been recently effected. The old basis for the sale of wheat has been referred to above. The new basis for up-country sales is 2 per cent. barley and 1½ per cent. dirt. But in Karachi it is still a "parcel trade," that is to say, different parcels of wheat are mixed together to arrive at the standard of 5 per cent. barley and 3 per cent. dirt. In England the present basis is 2 per cent. barley and no dirt. Dirt up to 1 per cent. is charged at the rate of wheat. Any extra dirt is charged at twice that rate. The Agricultural Department have

introduced new varieties like Punjab II and 8-A but have not organised auctions for these, as in the case of cotton referred to above. It is the storage system, however, which loudly calls for reform. Even if we leave out the method of storing grain in the open, on a plinth covered by a tarpaulin as a purely make-shift arrangement, the other two permanent methods have also grave defects. If warehoused in bags, about  $2\frac{1}{2}$  per cent. is wasted through weevil infection caught up from old bags or from crevices in the godown. If stored in pits lined with straw and plastered with mud and cowdung, the quality deteriorates so much that the loss amounts to 5 per cent. Apart from these, there is the loss inseparable from manual labour which may be estimated at 1 per cent. Bags cost 3p. per maund on an average and incidental expenses work up to 1a. 3p. to 2a. 3p. per maund.

### ELEVATOR SYSTEM IN INDIA.

The obvious remedy for these evils is a system of elevators. There is at present one elevator at Lyallpur in its lonely eminence and absolute waste. But it has been urged that to give the system a fair trial, there must be elevators throughout the wheat tract and also terminal elevators at the ports. In other words, there must be a concerted plan in which railways, Government, banks, co-operative societies—in fact everything connected with crop-moving—must play its part. It has been suggested that it is railways which should undertake the task, for, in that case wheat would be under the control of a single public body from the time it leaves the ryot till it is exported and consumed. They should offer reduced rates for grain in bulk, for transport and handling would be quicker, involving less wear and tear to the rolling stock. Government should acquire the land for elevators, grant a limited monopoly for some years,\* and guarantee the receipts granted by them after proper supervision. It has been urged that these receipts should be declared negotiable, in order to facilitate advances against them. That may not be necessary

\*The idea of starting elevators for military purposes should be abandoned.

but they should certainly be included among the mercantile documents of title to goods transferable by indorsement. Financing will not be very difficult, for, as estimated by a competent authority, at no time is it necessary to hold more than 490,000 tons valued at Rs. 5½ crores. As a matter of fact, the Imperial Bank of India have agreed to provide the money under reasonable safeguards. Co-operative societies should make advances against the elevator receipts in the first instance and rediscount them later with the Imperial Bank. They must also arrange to collect the produce by a vigorous propaganda, laying special stress on local abuses.

### CONCLUSION.

The Paper is already much too long and must now be brought to a close. It has been in the main an academic study without the formulation of definite plans of action, which can only be outlined on the basis of details for each locality, carefully investigated by a small expert committee. But there is no reason for despair. Market conditions to-day are no worse than what they were in the most advanced countries a hundred years ago.\* To make up this leeway, there must be a sustained and vigorous propaganda in favour of local option for a "pool" subject to some penalties,†

\*Venn has quoted following instance of primitive marketing method in England from the *Times* of May 20, 1822, in his *Foundations of Agricultural Economics* (Cambridge University Press, 1923) :—

"A vessel with 40 tons of potato arrived here (Portsmouth) a few days since, from Jersey, for which the master had given in that island 20s. per ton; immediately on her anchoring she was visited by a speculator in the article who purchased the cargo at forty-five shillings per ton; on his way from Spithead to the Point he met a second speculator, who gave him fifty shillings per ton, which this third speculator retailed in a few hours after the arrival of the vessel at eighty shillings per ton. If they were retailed at the then market price, £7-6-8 was obtained for what a few days before cost twenty shillings."

† South Africa has one of the sections of her Co-operative Act of 1922 running as follows :—

"66. Any person who, where no penalty is expressly provided, fails to comply with any requirements of this Act within the time or in the manner prescribed, or commits any other contravention thereof, shall be liable on conviction to a fine not exceeding twenty-five pounds."

if that is unfortunately necessary. This may be objected to on theoretical grounds. But those who have any experience of the conditions actually obtaining in India, and those who have carefully studied the evolution of co-operative marketing in other countries, will not shrink from sacrificing theory, fired by the vision of India, which may yet serve as a model to the rest of the world for what can be achieved through agricultural co-operation—through “better farming, better business and better living.”

In a recent Year-Book of Agricultural Co-operation in the British Empire, Sir Horace Plunkett has made the following remarks :—

“The Devil prompted me to compare this clause with Vriwbubg :—

There's a grand text in Galations :  
Who so trips on it entails  
Twenty-nine distinct damnations  
One sure if another fails.”

But he should remember that compulsion has been imposed even in Ireland under the Irish Dairy Produce Act and Agricultural Produce (Eggs) Act. The 1922 Act of South Africa was amended in 1924 to introduce a compulsory “pool” in areas where three-quarters of the producers of any crop owning three-quarters of the produce of that crop are members of a co-operative society. In Queensland also, “the value of loyalty under voluntary co-operation is not deemed to be in any way comparable to the security afforded by the compulsory system.”

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# SOME AGRICULTURAL INDUSTRIES OF THE MADRAS PRESIDENCY.

BY

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## SUMMARY.

Predominance of agriculture in Madras—Reasons for encouragement and development of agricultural industries—Importance of the investigation of provincial agricultural industries, existing and potential—Government policy in expending public funds on agricultural development—Agricultural industries only as part-time occupations with a view to promote rural welfare—Some useful agricultural and rural industries of Madras—Present difficulties in developing such industries—Some means of overcoming them—Line of investigation of rural industries.

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Madras is primarily an agricultural province and the development of its industries is therefore largely in the direction of converting and working up into manufactured or semi-manufactured form the agricultural products of the province. The improvement and organisation of industries allied to agriculture is one of outstanding importance from the point of view of the welfare and prosperity of the rural population. Out of a population of nearly 42 millions, about 30 millions are engaged in agricultural pursuits. But the vast majority of agricultural labourers are not engaged in agricultural operations throughout the year. The slack season varies from locality to locality, and it depends on the nature and number of crops raised. The number of days of work of an average cultivator on his holding during the year is about 6 months in the case of single-crop wet land, and about 9 months in the case



of double-crop wet lands. In the " off " season many ryots in certain places, as in the Ceded districts, are engaged in weaving blankets. The poorer tenants engage themselves in plying carts for hire or some other kind of cooly work. But for the bulk of the agriculturists, the slack season is a period of rest. It is therefore desirable in the interests of the agricultural population that their spare time should be employed at a profit even though, as compared with factory labour, it appears to be uneconomic.

The importance of rural industries and the necessity for an intensive investigation was stressed by the Indian Economic Inquiry Committee in 1925. The Committee observe: " In India cottage industries play a very important part in production . . . . We consider it of great importance that an estimate of the quantity and value of the total annual production of cottage industries should be ascertained along with the estimated value of the raw material used up. It would be interesting to ascertain, at the same time, the number of persons engaged wholly or partially in such industries, distinguishing dependents and hired workers from the owners. In weaving, the number and kind of looms might be ascertained and similarly in cottage industries using machinery of one kind or another, the number of such machines might be recorded. Where the production varies in quality, the grades might also be noted."\*

Any investigation of small scale industries and industries allied to agriculture has to be undertaken by Provincial Governments, as the conditions vary from province to province. What is wanted is not inquiries of a purely scientific and antiquarian value, but regional surveys of the position and prospects of rural crafts and industries. The question of spare-time occupations for agriculturists has not been taken up in right earnest by the Provincial Governments. In Madras the Agricultural Department have done nothing in this direction. The Department of Industries have made some experiments with regard to sericulture, and the Director of Industries, Madras, in his evidence before the Royal Commission

\* Indian Economic Inquiry Committee Report, Vol. I (1925), p. 27.

on Indian Agriculture, has outlined the measures taken by the Government to expand the sericultural operations in the Madras Presidency.\* Recently the Madras Government have undertaken an investigation of rural industries with special reference to those which are suitable as subsidiary occupations for agriculturists during the slack season. As regards industrial development, the policy of the Madras Government has been--(i) to start pioneer industries with a view to ascertaining the commercial possibilities of manufacturing articles not produced in the Presidency, and (ii) to grant state aid, under the provisions of the Madras State Aid to Industries Act, to private enterprise for starting new industries. The Madras State Aid to Industries Act provides for state aid to spare-time industries, but the Act has been a dead letter so far as these industries are concerned; because it is not simple enough or liberal enough to enable the spare-time industries to avail themselves of its provisions. The Act requires a certain amount of security to be furnished and the spare-time industrialists will not be able to furnish that security. This defect can be got over by interposing a co-operative organisation between the Department of Industries and the cultivators.

The question may be raised as to how far the Government is justified in expending public funds in popularising part-time occupations for agriculturists. In a country where most of the revenue comes from the agricultural class, the Government would be perfectly justified in expending some of the public moneys in that direction. The land tax is the largest tax in the province of Madras (7 crores from land revenue and 2 crores from water-tax which is also connected with the land). It has been calculated that while the United States of America spend on Agriculture about Rs. 1,681 per 1,000 of the population, France about Rs. 948, Japan about Rs. 217, India spends only about Rs. 34 and Madras about Rs. 24. It may be affirmed as a sound principle, as observed by the Chairman of the Royal Commission on Indian Agriculture,†

\* Royal Commission on Agriculture in India, Vol. 3, pp. 451-52.

† Royal Commission on Agriculture in India, Vol. 3 (1927), p. 357.

that in the case of agricultural industries. Government would be justified in going forward if the industry is likely to be a sufficient success as to stand on its own legs after a reasonable period of encouragement. The investigation of spare-time occupations has got to be taken up by the Government.

Subsidiary industries may be of two kinds—those that contribute to the comfort or improvement of the standard of living of the cultivator, and those that yield him a cash return. In the case of the former no special training is necessary, but the latter may require proper training. To improve the cultivator's standard of living, he must have some subsidiary industries as are suited to his tastes and aptitudes, as well as to the real necessities and possibilities obtaining under local conditions. It may be observed in this connection that only industries connected directly with the preparation of raw materials to bring them to the marketable condition are likely to flourish in rural areas. The policy of any Provincial Government in starting subsidiary industries in rural areas should aim at steadying the cultivator on the land. The spare-time occupations should utilize as far as possible most of the raw materials in the production of which the agriculturists are engaged. If the finished article has no local market, it must be capable of being transformed to the nearest markets for ready cash.

Among the various part-time occupations, we may mention, first of all, hand-spinning. Hand-spinning could easily be developed as a subsidiary industry because the agriculturists in many parts of South India have followed it as a subsidiary industry for a long time, and it has suffered under mill competition only in recent years. It is interesting to note that hand-spinning has been practised from olden days not only by men who are part-time cultivators, but also by women.

Another useful agricultural industry is dairying. Dairying on European principles is practically unknown in South India except for one or two Government farms. At present it is not profitable owing to the poor yields of the country breeds, but the industry will be profitable to those who can guarantee the purity

of the dairy produce. The betterment of dairying in the province of Madras is intimately connected with the larger problem of Animal Husbandry.

Pottery work is now confined only to particular castes. It might profitably be taken up by village agriculturists in summer time when the fields are fallow.

Experiments in agricultural industries as making the fast dyes by using country materials, bee-keeping, etc., are being tried in South India by the rural department of the Y.M.C.A. Agricultural industries capable of development in this province are poultry-rearing, fruit-growing, rope-making, basket-making and sericulture. There is a great scope for rope-making and mats with cocoanut fibre in many parts of South India. At present the outer portion of the cocoanut is used to a large extent as fuel, because the people are ignorant of the industrial uses of these bye-products. Aloes and other fibre-yielding plants grow extensively on the plains. The extraction of the plantain fibre for ropes and weaving certainly awaits development. Mat-making, weaving, rope-making and basket-making might be taught with great profit in middle schools and correlated to the agricultural instruction. The trade in ground-nuts is of great economic importance to Madras. It has been estimated that the exports in the last three years have averaged at about 850 lakhs of rupees or a little over 22 per cent. of the local export trade of the Madras Presidency.\* There is a large scope for cotton-ginning and oil-pressing in the cotton tracts of the Madras Presidency. There are 52 cotton-pressing and 370 cotton-ginning factories in the Madras Presidency. Rice-hulling by machinery is already a well-developed industry in the paddy-growing districts, and it would be a great advantage to agriculturists to run them on a co-operative basis.

Some of these industries, which are now practised on a small scale in almost every village, could be greatly developed with the introduction of suitable small machines and other modern appliances.

\*Royal Commission on Agriculture in India, 1927, Vol. 3, p. 458.

Along with these agricultural industries, some handicrafts like carpentry, handloom-weaving, etc., have great possibilities of development. The mill industry has, to some extent, restricted the rural industries in spinning, weaving and metal wares, but these old industries have shown wonderful staying power in spite of adverse conditions.

The chief difficulties in the way of development of these things are—(1) want of facilities for learning them; (2) difficulties in obtaining necessary tools and implements or seeds and materials; (3) lack of marketing facilities; (4) lack of finance. All these difficulties are not insuperable. The civic conscience which is now dormant in rural life has got to be roused. Education, as it obtains at present, is far too literary and has no bearing on agricultural efficiency. Propaganda by lantern lectures and pamphlets may be adopted as useful methods. The agricultural development has confined its educational activities to collegiate training and little has been done to bring the education of the agricultural classes into contact with their daily life. The average ryot is not wanting in general intelligence, and can be made to supplement his earnings by subsidiary industries. But agriculturists rarely think of industries and those that have the aptitude lack the capital. Under present conditions, therefore, some lead from the Government is necessary.

With regard to all agricultural produce, there is no scientific organisation for marketing. The agriculturists sell their produce practically at their very doors to small traders who visit the villages after harvest and make arrangements to carry the produce to the nearest market. In the case of indigenous clothes, the market at present is largely the man's own back. Throughout the presidency there are innumerable weekly markets at short distances. Agricultural produce is taken to these markets through village cart-tracks or by head-loads or by canals, according to the nature of the district. The weekly markets are situated mostly on local fund roads. After the produce reaches the weekly markets, they are taken to towns by local fund roads or by trains. The province of Madras is not adequately supplied with railways, and the exten-

sion of railways is a costly affair. Improvement of roads and the larger use of motor lorries seem to be a more easy way of solving the problem of rural transport. Of the various kinds of agricultural produce that are of commercial importance, paddy is consumed only within the province, but oil-seeds and cotton are largely exported. The trade in these articles is largely in the hands of middlemen, and there is considerable speculation, particularly in the market for cotton, and the producers get little benefit from market fluctuations. The producers have got to be educated in the matter of organisation and co-operation. The principle of co-operative sale and purchase is the true remedy. Membership of such co-operative sale societies should be confined only to agriculturists who should sell their produce only through this society. Such co-operative organisation of sale has worked well, such as the arecanut sale societies of North Canara, and it is therefore necessary to take up active propaganda work for the cultivation of the co-operative spirit.

A study of the rural industries of the province and the economic resources of the people might be undertaken by forming a permanent Board of Rural Economic Inquiry which is to be financed, as in the Punjab, by Government and public bodies. Such a Board might investigate the present position of some of the useful industries of the province, and also the prospects of potential rural industries on the following lines:—

1. Name and population of the taluk.
2. Main products of the taluk and how they are utilised.
3. Chief occupation of the people and average wages of the workers employed in those occupations.
4. Any existing rural industries of the taluk or area.  
When were they started and how are they carried on?  
How many people are employed in each industry?  
Are they full-time or part-time workers?
5. In the case of part-time industries, are female workers employed, and if so, in what proportion?
6. How is the raw material for these small industries obtained?

7. How are the products of the various industries disposed of?
8. If any of the existing industries has shown any tendency to decline, what are the reasons for such decline?
9. What are the conditions necessary for improving such industries?
10. Scope for starting new industries in the province for which there are potential resources.

The following table shows the amount spent annually by the Government of Madras on Agriculture: \*

1	2	3	4	5	6
Year.	Total revenue.	Land revenue.	Spent on Agriculture.	Percentage of column 2 to column 4.	Percentage of column 2 to column 4.
	Rs.	Rs.	Rs.		
1921-22 ...	16,00,00,000	6,20,00,000	14,21,000	'9	2'3
1922-23 ...	15,64,50,000	6,43,00,000	14,45,000	'9	2'2
1923-24 ..	16,58,00,000	6,34,00,000	14,50,000	'8	2'3
1924-25 ...	16,27,00,000	7,40,00,000	14,00,000	'8	1'9
1925-26 ...	16,41,00,000	7,50,00,000	15,50,000	'9	2'1

\* Royal Commission on Agriculture in India, Vol. 3, page 381.

# AGRICULTURAL CREDIT.

BY

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## SUMMARY.

Need for Agricultural Credit Organisation—Agricultural Credit not yet so efficiently organised as Industrial Credit—Need for separate Organisations for Short-term and Long-term Credits for Agriculture—Agricultural Credit Organisations Abroad—Federal Land Banks of the United States—Agricultural Credit Organisation in France—Credit Union (or *Landschaft*) in Germany and other Continental Countries—Agricultural Credit Organisation in India—Co-operative Credit Societies and Short-term Credit—Need for Land Mortgage Banks for Long-term Credit—Some points suggested.

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The special problem of agricultural credit has its root in the difference in structure between farming and the modern unit of industrial or commercial organisation—the usual form for the latter being the joint-stock concern. Agriculture is still one-man industry. The cultivator has mainly depended on his own resources and has gained few of the benefits which association in collective joint-stock enterprises has given to manufacturers and traders elsewhere. And there are very strong reasons to suppose that agriculture will continue to be organised on family basis. Physical concentration is not possible in agriculture. In England and new countries like United States, Canada and Australia the size of an average holding is undoubtedly large, and as in the case



of England the increased size was obtained after great social and legal efforts, a movement which was further encouraged by the development of agricultural machinery and the use of power on the farm, but this had always been counterbalanced by a tendency towards the breaking up of the large estates and the development of small holdings. And of late the success of the small-scale farming in the agriculturally advanced countries like Denmark, Holland, Belgium, France and Germany, and the prosperous condition of their peasantry have strengthened the belief in the efficiency of agriculture when organised on family basis.

This fundamental difference in the structure between agricultural and industrial or commercial organisations makes it difficult for the financial institutions like the joint-stock banks to extend their help to the farming community; they specialise in financing the modern industrial and commercial operations. In countries like England and the United States where the unit of cultivation is large, the ordinary joint-stock banks may find it profitable to extend their dealings to farmers. This partly explains the comparative failure of the co-operative credit movement in these countries. But where the unit of cultivation is small, the ordinary joint-stock banks cannot undertake the financing of agriculture. They cannot fritter away their resources over wider areas, where any vigilant control is extremely difficult and collateral securities offered are very meagre. This has led to the growth of separate institutions to meet the credit needs of agriculture. The farmer, small or big, has as much need for credit as an industrialist. There should not be any ignominy in borrowing. It should be regarded as the proper means of carrying on an industry not capitalised on the joint-stock plan. The development of science in relation to agriculture is made possible only by an efficient system of credit. A highly indebted peasantry can be a prosperous and thriving one. For instance, in Denmark and some other continental countries, the degree of mortgage on farms is very high. But figures of indebtedness may only indicate the extent to which credit facilities are made use of. So long as the extra income due to the application of the borrowed capital is greater than the interest charges

together with a provision for the repayment of the loan, the use of the borrowed capital is quite economical. But nothing would bring about the ruin of a peasantry more quickly than borrowing at heavy rates of interest, and then using the loans for unproductive purposes or for ventures which will not yield a clear net profit. An efficient use of capital requires proper cost-accounting; the farmer should know what it costs and also what it earns.

As in the case of industry, the capital needs of agriculture are of two kinds. The first is fixed capital to be used permanently or for long periods for the acquisition or improvement of land, and the purchase of equipment; the second is working capital to be used for short periods, for current agricultural operations in growing, harvesting and marketing the crops. Industry raises its permanent capital on the strength of its fixed wealth in the form of land, building, machinery, etc.; and its working capital on the strength of its current and future income.

In an efficiently constituted agricultural credit system also short-term credit should be based upon the 'temporary' wealth created on the farm. The cultivator's possessions in the shape of land and building should be left free to be used as a basis for long-term loans required for the acquisition of land and its permanent improvement. These two kinds of capital needs of the agriculturist have to be distinctly kept in view. In almost all the countries in the van of agricultural progress two different kinds of institutions have sprung up to meet these two different needs.

**Short-term Credit:** It was under similar conditions as face the peasantry of our country to-day that in the middle of the last century Raiffeisen began his experiments in agricultural co-operation, which now is widespread not only in Europe but over a great part of the world where small-scale farming is carried on. As a productive organisation agriculture has remained divided up into small units, but there has been a tendency towards associations for specific purposes. For credit, for insurance, for marketing, for the purchase of farm requisites, and for similar other purposes, collective action has made great advance. This is the real counterpart of the industrial development referred to above, and because

of its social as well as economic reactions it is one of the most important movements in agricultural organisation of the modern times.

Co-operative organisation of agricultural credit has been one of the most important achievement of the co-operative movement. Short-term and long-term credits have both been usually organised on co-operative basis. Short-term credit has been usually organised on Raiffeisen system. The credit is based on the collective and individual guarantee of the members, whose liability in most of the cases is unlimited. The fundamental principle is that the members of a credit society should live under similar conditions and have active economic and social intercourse with one another, and that the area covered by it should be small, the ideal being to have one or even more than one societies for each village. Wherever there is small-scale farming, the co-operative credit societies have admirably helped the cultivators by financing them with short-term credit.

**Long-term Credit:** Advances for long periods cannot be successfully made by the co-operative societies. In the earlier stages of their growth at least, they prefer to keep their resources more mobile. The essence of the long-term credit is that repayment should be spread over a long period and should be in easy instalments. It means locking up resources for considerably long periods. Even in Germany where Raiffeisen type of land banks have been so successful, separate institutions have sprung up to meet the long-term credit needs of the farmers. And also in England and United States, the home of large-scale farming, where the short-term credit is usually advanced by the joint-stock banks, need has been greatly felt for special land banks to supply the long-term credit to agriculture.

The Federal Farm Loan Act of 1916 sets up 12 Federal Land Banks in the United States, each working in a separate district. The borrower has to join a Farm Loan Association, subscribing 5 per cent. of the loan he wants to be advanced. He incurs a liability up to the amount of the loan. In their turn Associations subscribe to the stock of the Loan Bank. The profits circulate

down to the Associations and thence to the subscribing farmers. Each Association guarantees its own mortgages and each Federal Land Bank guarantees the bonds and coupons of others. This gives a very broad basis of insurance and the Bonds of the Federal Land Banks are sold to the public free of all taxation. Capital is thus freely attracted for financing the long-term needs of the agriculturist. "The bonds are issued in denominations of 40, 100, 500, and 1,000 dollars and even in much larger denominations subject to retirement at the option of the bank 10 years after the date of issue. Each bank may issue bonds up to twenty times the amount of its capital and surplus. Every bank is jointly liable for the bonds issued by the 12 banks. While not obligations of the Federal Government, the collateral securing these bonds has the close supervision of the Government. This fact, together with their tax-exempt feature, creates for these bonds a good market at low interest rates. In fact they have been selling at yields slightly above those of some other Government securities, and a market has been found for them at rates uniformly lower than those paid on long-term corporation securities. In short, it is apparent that the farmer is obtaining through the Federal Farm Loan system farm mortgage credit at rates that compare favourably with those paid by other industries." (Year-book of the Department of Agriculture, 1925, Washington.)

The Federal Land Banks of the United States are based mostly on the model of German *Landschaft* or Credit Union, which system has also been introduced in the Baltic States, Denmark, Norway, Hungary, Poland, etc. "The fundamental idea is the issue by the *Landschaft* of land bonds based on the estates mortgaged in its favour. But the bonds are not issued on the security of specific properties; the guarantee behind them is the collective guarantee of the members. The borrower is paid at par value in bonds, which he may realise in the market or through the agency of banks attached to the societies. The loan is usually up to two-thirds of the value of the property. He has the right to repay by an annuity, or by special instalments at any time. He can cancel his loan by purchasing and tendering bonds. On the other hand,

the holder of the bonds cannot at any time demand repayment, but can realise in the market. Bonds are called in according to the progress of repayment and the accumulation of funds from the annuities. . . . During the period 1910 to 1914, the bonds of the *Landschaften* and the loan bonds of the Empire were quoted on nearly equal terms. In Denmark there is invested in these securities by far the greater part of the public and private wealth of the kingdom." (*Agri. Trib. of Investigation, Final Report.*)

In France the system of agricultural credit is based mainly upon heavy state subsidy, administered through the *Credit Agricole*. Credit societies of the *Raiffeisen* type supply the short-term credit. These credit societies are members of regional banks, which are also based on mutuality. Long-term credit in the first instance was instituted for agricultural sale and production societies. It has been administered through the regional banks, the sum being advanced on their guarantee and secured by mortgage. The maximum term of loans is 25 years.

In 1910 the system of long-term credit was extended to individuals, chiefly for the purpose of acquiring small rural properties, or for making permanent improvements thereupon. This has also been administered through the regional and local banks, at first up to 8,000 francs per loan, for a maximum of 15 years, amortisable by annuity. Further legislation in 1920 has fixed a maximum of 40,000 francs for a loan, for a maximum period of 25 years, with 2 per cent. as the maximum rate of interest. The distribution of the resources of the *Credit Agricole* has also been fixed by law:—For short-term credit, 25 per cent.; for intermediate credit (maximum period of 10 years), 10 per cent.; for long-term credit to individual small holders, 32½ per cent.; for long-term advances to societies, 32½ per cent. The aim of the policy has been that the regional banks will use their own capital reserves and deposits for short credit, and thus release the public funds for loans of longer duration.

This brief survey of the development of agricultural credit organisation abroad puts two things clearly before us. Firstly,

by the development of mortgage banks, credit unions, co-operative credit societies, and similar other institutions, the savings of the general public have been made accessible to agriculture: a fitting counterpart of the development of the financial aspect of the modern industrial organisation. Secondly, the short-term and the long-term credit needs of agriculture have been clearly recognised, and also the need for securing the short-term credit largely upon personal basis on the security of the current and future income in the shape of livestock, crop-yields and other forms of temporary wealth, so that the more permanent agricultural wealth in the shape of land and buildings may be left free to be mobilised for long-term credit.

In India also, the organisation of agricultural credit on co-operative lines has been adopted as a definite policy. Indian cultivator is essentially a small cultivator, and his economic salvation lies in an all-round growth of the co-operative movement, of which the co-operative organisation of credit will be a very important part. So far attention has been mainly directed towards the development of co-operative credit societies of the Raiffeisen type. The progress of the movement has been quite remarkable, specially when we consider that in Germany itself, during the first twelve years, only hundred Raiffeisen Banks were established. The movement is full of far-reaching consequences and deserves all support and encouragement.

But it must not be forgotten that these societies can only meet the short-term credit needs of the agriculturist. As MacLagan Committee remarked, "Loans are given for ordinary operations of agriculture and much assistance cannot be expected . . . (from the co-operative societies) for expensive improvements." The period for which the existing co-operative credit societies make advances generally varies from 3 to 5 years. In many cases long-term credit is necessary to clear off the existing debts which are usually raised at very heavy rates of interest. These debts, which often pass on from generation to generation, militate against any attempt to improve the condition of the cultivator. Permanent improvements are also handicapped because of the lack of facilities

for long-term credit. In many cases long-term credit is required for initial farming equipment, or for the acquisition of the holding or part of the holding. In India also, as has been true in the case of other countries, there is a great need for the simultaneous development of institutions to meet the long-term credit needs of agriculture, and as in the case of the *Landschaften* of Germany or the Federal Land Banks of the United States, these institutions may also be organised on co-operative basis.

Experiments have already begun in India in the organisation of long-term credit. A few Land Mortgage Banks have been instituted in the Punjab and Madras, and two are being instituted in Bombay—at Dharwar and Broach.

In the beginning help is required to raise the necessary funds for these banks. This help may be given either in the form of the State buying part of the debentures, or guaranteeing the payment of interest on these debentures. In Madras the Government have agreed to take up half of the debentures up to a maximum of two lakhs for each bank. In Bombay also the Government will purchase debentures to the extent of five lakhs. In the Punjab the Government does not help in the financing of these banks, and grave doubts are expressed if the issue of debentures under these conditions will sufficiently attract the investing public.

The Government in India recognises the need of financing the cultivator for long-term credit for permanent improvements. A considerable amount of money is advanced to the cultivator under the Land Improvement Loans Act of 1883, in various provinces. But these loans are extremely unpopular. The usual official red-tapism causes great delay in the issuing of the advances, and there is considerable amount of leakage due to the rapacity of the subordinate officials; the cultivator rarely gets the full amount of money advanced to him. A better way of financing him for permanent improvements would be through the land mortgage banks, and the Government will be well advised to lend its credit or some direct financial help for the growth of these banks.

Another important consideration in connection with these land mortgage banks will be their relation with the co-operative move-

ment already well advanced. As shown above, these banks are also generally based on the broad co-operative principles. The funds are raised by them on the collective guarantee of the properties mortgaged by the borrowing members.

The liability of the members may be either limited or unlimited. In the Punjab banks it is unlimited. In the beginning it will be desirable in India to work on the limited liability basis. These banks will generally be started in places where unlimited liability societies are already at work, and the cultivator will take their help for short-term loans. It will not be desirable that the same person be a member of two unlimited liability societies at the same time. In the long run it will be necessary to base the short-term credit from co-operative societies on current and future income. Along with personal sureties, silver and gold ornaments may also be made the basis of short-term advances. But the long-term credit will have to be secured mostly on land and other forms of permanent wealth. The liability of the borrowing members should be limited to the specific property mortgaged to the bank. In absence of unlimited liability the financial stability of the bank can be secured by limiting the loan to half the value of the property mortgaged along with two reliable personal sureties. In case the borrower is also a member of a co-operative society, loan should be advanced to him by the land mortgage bank only after the recommendation of the society.

The existing co-operative credit machinery can also be partly used for the organisation of the land mortgage credit. As is proposed for Bombay, the Provincial Co-operative Banks should take up the financing of the land-mortgage banks by raising the necessary debentures as one of their ordinary functions. But it will be necessary to start independent local land mortgage banks or associations at suitable centres. The co-ordination between the activities of the local bank and the co-operative society, as suggested above, will lie in the fact that the advances will be made to the members of the co-operative society only after the recommendation of the society.

In the United Provinces of Agra and Oudh, and other pro-



vinces with large bodies of tenantry, it will be desirable to modify the Tenancy Acts as regards the transferability of the occupancy (and also of the statutory in case of U. P.) holdings so that they may become mortgageable, and the benefits of the long-term credit organisation may reach the mass of cultivators. It might be necessary in the beginning to restrict the mortgaging of these holdings to the land mortgage banks which, as suggested above, will be based on mutual association and guarantee; also the sale of the defaulting borrower's holding may be restricted to the cultivating classes.

The success of these banks, as is also true in the case of the co-operative credit societies, will chiefly depend upon the advances being used for proper productive purposes. It is still true of the Indian cultivator that he greatly uses his credit resources for unproductive purposes. I found the following uses of the borrowed money during my investigation in a few villages in a western district of the United Provinces:—

			Per cent. of the total loans.
Purchase of cattle	...	...	24
Payment of rent and revenue	...	...	14
Purchase of seed	...	...	11
Food and maintenance	...	...	13
Litigation	...	...	9
Permanent improvement	...	...	6
Social and religious ceremonies	...	...	23

In quite a number of cases the debt has its origin in extravagant expenditure on social and religious ceremonies, and in very few cases loans are taken for permanent improvements. In the beginning it will be very necessary to restrict the advances by the land mortgage banks to approved productive schemes and the redemption of existing debts.

Though caution may be necessary in the early stages of the

growth of the land mortgage banks, it is time for other provinces to follow the lead given by the Punjab, Madras, and more recently by Bombay in the organisation of land mortgage credit. Without proper long-term credit facilities, attempts to introduce improved agricultural methods will be futile, and even the organisation of co-operative credit societies and other forms of co-operation may not make much headway.

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# INDUSTRIAL MIGRATION IN INDIA

BY

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The relation of life to the environment is one of constant struggle, but this struggle is often sought to be avoided by means of migration. Indeed, migration is as old as the early beginnings of life itself. The migrations of birds and animals in search of food had been subjects of patient scientific investigation. Such migrations are usually social and are sometimes facilitated by social tradition. They are connected not only with changes in food-supply, but also with a need for expansion during the breeding season. The primitive man had similarly his wander-lust, but as his locomotion was slow, migration meant the output of a much larger amount of energy. As a result also of conflict between wandering tribes, mortality became much heavier. Thus the expensive habit was gradually given up, though it still persists in sparsely settled forests and wildernesses which are the abode of hunters and shepherds. The wanderings of people, like those of animals, are usually from cold to warmer regions, from warm to temperate lands and from temperate lands to the fringes of the sea.

In early times sudden climatic changes led to the movement of hordes and tribes of far-reaching importance. Huntington, for instance, attributes in his "Pulse of Asia," the incursion of Central Asiatic tribes into Europe and India to the desiccation of that region. Migrations have also been due to the wasteful use of the resources of the Earth. Thus indiscriminate, unregulated grazing has led to the drying up of pasture lands, which has kept the shepherds always on the march for "fresh fields and pastures new"; or, again, early migrations were due to the wasteful

methods of agriculture followed by the tribes. With the increase of the knowledge of agriculture and the domestication of animals, people came to be settled in fertile river valleys and grassy places; and it was here that they gradually developed stability in social life and relations.

It took many ages for people to learn to maintain an increasing population on a given territory; and until this became possible, wars of conquest were the rule, and there was no peaceful means of migration.

Within a given territory there were in operation causes, which led to a constant shifting of the population due to the advancing specialisation of industrial and social functions. The result has been a continuous and persistent agglomeration of people in selected cities, which afforded some special advantage; and accordingly ancient and mediæval, as also to a great extent even modern, history is more or less a chronicle of the varying destinies of important cities and those who lived in them.

When peace and security were uncertain, on account of the unsettled state of the country, population was diverted towards the seats of kings or the headquarters of strong local chiefs, who could afford protection to those who lived under their patronage. This has been the cause of the alternate growth and decay of many places during the Ancient and the Middle Ages in Europe and India, as elsewhere. Gradually, as society became stable and agriculture and industry flourished, men came to swarm together in fertile plains and on the banks of perennial water-channels where nature yielded the necessities of life with comparatively little toil. With the growth of the political and the economic unit, the expansion of trade and the improvement in the means of communications, population began to concentrate in commercial centres, at the confluence of rivers, heads of navigation fords, meeting points of hill and plain and at the junctions of important trade routes. Such centres gradually grow from mere post offices for the distribution of goods to places where articles are stored for sale, and thus become the headquarters of large and growing entrepôt trade and the seats of an intricate system of commerce and exchange.

Moreover, the increasing pressure on agriculture and the recurring famines have brought about a steady migration of cultivators and farm-labourers from the rural tracts towards the cities in India, as in China, Russia, etc. In modern times, however, the factory system and the advantages of large-scale production have led to an enormous and unprecedented concentration of population in industrial areas. The introduction of railways and steamships have considerably encouraged this tendency. Accordingly towns, in the proximity of coal or iron mines, or having an easy access to cheap labour and raw materials, have rapidly grown up and attracted towards them large numbers of people from the surrounding country for the sake of lucrative employment, as well as for purposes of trade and commerce. But with the discovery of electricity, which can store up energy and carry power to distant places at little cost, and with the transport of coal and raw materials made easy and cheap, the overmastering forces tending to establish industrial towns at particular places are disappearing. On the other hand, the advantages of commerce and trade in the way of sale and distribution of goods manufactured in factories, and the facilities of banking, etc., which commercial centres offer, are asserting their real importance. Accordingly in the twentieth century, pertinently observes Professor Pigou, "Industrial towns tend not to coalesce with commercial towns but to be attracted to their near neighbourhood as satellites are drawn to the central Sun, while the villages of the work-people are tending to scatter both round the central Sun and the minor satellites of the encircling industrial towns."

A new class of capitalists is springing up in the country who can command a large industrial capital but who refuse to move from the industrial centres where they find a large labour market and all the facilities of trade, banking and social life, impossible to obtain in remote districts, where raw materials might have been cheaper.

The process of urbanisation is going on surely, if slowly, and the tendency of the population to congregate in increasing propor-

tions in the cities and larger towns is markedly manifesting itself decade by decade.

Hardly less conspicuous than the emergence and the growth of the Big City, with all its attendant evils of congestion, insanitation and disease, has been the sudden and rapid growth of mill and mining towns all over India. As a matter of fact, they are the backbone and tissue, the foundation, over which the structure of the bigger towns and cities is built and on which they rely for their maintenance and prosperity. It is they, which supply mostly the fuel and raw materials for the factories, which have made the towns big and the cities bigger. It is they again, which perform the simpler and the cruder operations connected with manufacture and industry. But large-scale production and specialisation have not left even these alone; so that we find these mill and mining towns specializing in and developing their own industries and growing almost precipitately. The phenomenon of their appearance is, however, much more modern and there are few who have any history previous to 1872; while many have been brought into existence in the 20th century. As a rule they have altogether new and distinct characteristics, different from those of the country-towns and over-grown villages. We have accordingly to be very cautious in drawing conclusions from census statistics, which generally make no distinction between the two.

The social composition of the large cities and the mill and mining towns in India is characterised by the dominance of a large floating immigrant population drawn from the surrounding districts and more distant parts of the provinces. The growing pressure of population on agriculture and the increasing fragmentation of holdings have rendered agricultural income both uncertain and insufficient in the case of a large body of small holders, so that the small cultivator and his more humble companion, the field-labourer, in spite of their deep attachment to the soil, their limited requirements and their natural aversion to the unhomely and squalid life of the cities, have found it increasingly difficult to make the two ends meet without supplementing their meagre agricultural income during off-seasons and bad harvests. With

the appearance of cheap machine-made goods, the cottage industries, which helped both the peasant farmers and the field-labourers to occupy themselves during leisure hours and times of scarcity, have become unprofitable and have decayed.

Thus the force of economic circumstances, working against the villagers' social customs, habits and traditions, has brought about the disruption of the village community, the joint family system and other institutions characteristic of an ancient agrarian organisation. The adaptation of social customs and organisations to changed circumstances and environment is necessarily a tedious and unpleasant process, involving considerable hardship and suffering during the period of transition. Referring to the statistics of migration in India, Mr. Martin rightly observes that they illustrate the home-loving character of the Indian people, which is the result of economic and social causes and the immobility of an agricultural population, rooted to the ground, fenced in by caste, language and social customs and filled with an innate dread of change of any kind.\*

The average agriculturist refuses to bow before the overmastering forces of economic pressure and finds it impossible to reconcile himself to the dirt and squalor of the city. He goes to the city either to tide over difficult times, or to supplement his meagre agricultural income, or to pay off some cumulatively increasing bad debts incurred by himself or his forefathers.

The joint family system renders such migration both profitable and easy to a tenant. By migrating to the towns he not only lightens the burden on the land, but is not infrequently able to send home monetary help. The agricultural labourer similarly feels that he can get more remunerative employment in the city, and thus improve his social status when he returns to the land. Thus we find in operation a regular rural exodus to the city.

The extent of this temporary, periodic and semi-permanent migration from the rural areas to the centres of industry and trade is difficult to measure. Birth-place, as the census authorities also

\* Martin : Census of India, 1921, Vol. I, page 83.



admit, is at best a rough means of measuring either the regional movements or the foreign constituents of a population. The Indian census figures, in particular, are vitiated by the fact that the place of birth and the place of enumeration are frequently both accidental, and both these have no indissoluble connection with the place of residence and even of business. The absence of any information with regard to the place of residence is still more unfortunate, so that a large number of casual movements, including visits for family, social, educational or business reasons, and the more important movements connected with fairs, festivals, etc., are not distinguishable from periodic or permanent migrations. A large volume of such migrations, however, consist of short-distance movements from one district to another. But these casual movements are insignificant as compared to the larger and more important influx of industrial labourers into the mill and mining towns and the bigger centres of industry; and they largely cancel each other when migration as between one province and the other is taken into consideration.

It should, however, be pointed out that just as the shorter movements from district to district recorded by the census cover only a small proportion of the migration described as casual, so also these same short-distance movements include a certain proportion of the other more important classes of migration. Wherever on account of industrial, commercial or agricultural activity an area attracts immigrants, a certain proportion of these will be drawn from the neighbouring areas. Thus the growth of the larger industrial cities of the Bombay Presidency like Bombay, Ahmedabad, Sholapur, etc., and the increasing importance of Cawnpore, Nagpur and Jubbulpore no less than that of Calcutta and the mill and mining towns of the Bengal Presidency are due to the concentration of population from the neighbouring areas and contiguous districts. Before however discussing the composition of the bigger cities, it seems to be necessary to consider that of the provinces.

A glance at the census statistics shows that Assam contains the highest percentage of foreigners. According to the census

figures no less than 16 per cent. of its population is immigrant, while another important portion consists of the children of the stream of permanent immigrants who have been entering the province for the last 50 years for employment in the tea-garden industry from the provinces of Bihar and Orissa, the Central Provinces, the United Provinces and Madras. The total population of the Assam tea gardens in 1921, including managers, dependants and assistants, etc., was 922,245. Of these no less than 583,000 were immigrants. These made up approximately half of the total number of immigrants into the province. Mr. Lloyd, the Census Commissioner of Assam in 1921, estimates that the total number of foreigners now in the province on account of the tea industry is about a million and a third, that is to say, one-sixth of the whole population of Assam.\* This is only a rough estimate, and it is more likely to be under than over estimated. The sex and age figures of the immigrants, however, show that they are settling by families rather than singly as elsewhere. Generally however the men come first to secure the land and build houses and the families follow, so that in Goalpara nearly 20 per cent. of the population is made up of the settlers and in Nowgong about 14 per cent. The labourers in the tea gardens have mostly to work in the open fields and get ample land on nominal rent for building houses and for private cultivation, and accordingly they do not feel the divorce from the lands of their birth very much. But sometimes the treatment accorded to them by the managers has been overbearing, while the conditions of work and remuneration have been unfavourable to the labourers; so that the members of discontent have sometimes led to big conflagrations, resulting in the repatriation of large numbers of destitute settlers.

The immigrant population of Bengal forms about 40 per mille of the total population. More than half a million of the immigrants come from the U.P. and the province of Bihar and Orissa into the industrial districts of Calcutta, Hooghly, Howrah and the 24-Parganas. The immigrant population of these areas formed about

\* Lloyd : Census of India, 1921, Assam.

150 per mille of the total population in 1921. In fact there are three principal currents of immigrants into Bengal, one and the most important consisting of labourers from Bihar and Orissa and the eastern districts of the United Provinces into the industrial area round Calcutta, the other consisting of poor agriculturists from Nepal and Chota Nagpur into the tea gardens of Jalpaiguri and Darjeeling, and the last consisting of immigrants from Northern Bengal, Santal Parganas and Assam into Birbhum and Tripura State, where there is ample waste land.

The population of Calcutta and its suburbs is made up of people from many different places, and some from great distances. In Tittaghur no less than 90 per cent. of the inhabitants were born outside Bengal, while in Bhadreswar 77. "The figures," observes Mr. Thomson, "are remarkable as showing to how great an extent industrial development in Bengal, as shown by the growth of these towns, is the work of the up-country people and not of the Bengalees at all."\* In fact Bhatpara, Tittaghur, Bhadreswar, Serampore, etc., are mere colonies of up-country men, and even though industrial progress has been going on for several decades, the population still remains immigrant. "A few workmen," continues Mr. Thomson, "have children with them who were born since they immigrated, but practically none have settled down and brought up their families to maturity to swell the number of the native born. It is therefore too much to describe them as colonies of up-country men. They are no more than their temporary habitations."

Calcutta proper, however, is becoming more a commercial city than an industrial town, particularly because of its peculiar position, circumscribed by the Hooghly and the sea. Calcutta has become overfull containing more than 43,000 people per square mile, so that the number of immigrants has fallen for sheer want of space during the last two decades; while people have flocked to the mill areas in Hooghly and the 24-Parganas in increasing numbers.

\* Census of India, 1921, Bengal, by Thomson, p. 116.

In Bombay Presidency likewise immigrants make up 41 per mille of the population, over a million in round numbers. "The striking feature of the migration statistics," observes Mr. Martin, "is the increasing absorption of outsiders into the large cities of Bombay, Karachi and Sholapur which, except for the usual exchange of casual migration, practically monopolise the immigrants from outside the Presidency. The mofussil does not attract strangers now any more than forty years ago, but the huge industrial expansion in the larger cities has resulted in the concentration into them of population from outside, of which the foreigners form a substantial and growing element."\*

There are two principal streams of immigrants going into the Bombay Presidency, one from U.P., Rajputana, the Punjab, Baluchistan and the North-West Frontier Province, and the other from Hyderabad and Madras, both of which represent mostly persons in search of work in the cities. The stream from the North goes to swell the proletariat of Bombay and Karachi, while the Hyderabad one goes to the mills of Sholapur. Ahmedabad, however, draws much of its labour from Baroda, the Kaira and the Guzerat districts.

It is a well-known fact that the population of Bombay is largely immigrant. The population actually born in the city has steadily declined, and since the birth-rate among the natural population is constant, it might well be assumed that this tendency would continue. The extent of this tendency would be apparent from the fact that the percentage of population born in the city to total has declined from 31.1 in 1872 to only 16 in 1921. Apart from the concentration of population into the industrial cities from every part of the Presidency and from outside, migration in Bombay presents no features of special interest. It is significant, however, to note that 92,036 males and 38,687 females, in all 120,723 immigrants into Bombay City in 1921 were labourers employed in the textile industry alone.† Thus practically the whole

\* Martin : Census of India, 1921, p. 89.

† Sedgwick : Census of India, 1921, Vol. IX, Part II, pp. xxi to xlv.

of the cotton industry of Bombay is manned by imported labourers, of whom 21,291 males and 1,059 females come from outside the Bombay Presidency and about 15,000 from the United Provinces alone.

The province of Bihar and Orissa, as has already been pointed out, contributes largely to the flow of immigrants into Bengal and Assam, but has practically no immigration—98.9 per cent. of the people enumerated in the province having been born in the same province; and no less than 95.7 per cent. in the same district in which they were enumerated. In the districts of Singhbhum and Manbhum, however, a large number of outside people are attracted on account of the extensive coal and iron mines and the Tata Works, while in Purnea, another district which draws a fair amount of outside people, the attraction is vacant spaces for settlement, over and above employment in Railway works. The immigrant population in these districts forms over a tenth of the total population of each. Jamshedpur, the centre of the Tata Iron and Steel Works, in fact, is a creation of yesterday. Only 15 years ago, when Mr. Jamshedji Tata projected his works, Sakchi and the other villages which have since been absorbed into the town were small agricultural villages. At the census of 1911, Sakchi had a population of only 5,672 persons. Since then the town has grown by leaps and bounds and showed a population of 573,600 in 1921, an increase of over 100 times in but ten years. There are few places where the East meets the West or Ancient confronts Modern in more violent contrast than at Jamshedpur. Here are congregated not only men from every part of India but even from distant United States, from the European countries, from China, Japan, Canada and Australia, all of whom work side by side on the works. The proportion of the immigrants into the city is 724 per mille of the total population, while nearly half of the inhabitants of the city have their birth-places outside the province. C.P. and Madras supply most of the unskilled labour to the town while Bombay, the United Provinces and the Punjab, supply the greater part of the skilled labour. During times of scarcity and agricultural depression, labourers from the neighbouring district of

Hazaribagh flock into the town. Most of the immigrant labourers go to the town only temporarily, in spite of the many amenities of life and environment which the company offers. "It is estimated," observes Mr. Tallents, "that hardly 10 per cent. of the aboriginal tribes working at Jamshedpur have cut themselves off from the village and settled permanently in the town, while among the Chhatisgarhias the percentage is rather higher."\*

The total immigrant population in Burma is 707,000, most of whom come from Madras (273,000), Bengal (146,000), China and the United Provinces (71,000). The bulk of the immigrants consists of those employed in the various industries in and around Rangoon and elsewhere. As for the floating character of the immigrant population, some idea can be had from the observation of Mr. Grantham, the Census Commissioner of Burma for 1921, that out of about 62,500 immigrant male labourers in industrial employment who were asked whether they intended to remain in Burma, all but 2,600 or about 4 per cent replied that they proposed to return to their homes. The proportion of the native-born per mille of the population of Rangoon was only 340; and out of the immigrants 120 per mille came from other parts of the province, 480 per mille from other provinces and 6 per mille from outside India.

In Central Provinces the immigrant population is hardly 3.8 per cent of the total population. The trade and industries of Nagpur and Jubbulpore have attraction for the population of the Northern tracts, while the manganese mines and the coal mines offer considerable attraction to labour, especially during the off-season. The cotton-growing industry of Berar and of the adjacent districts of the Mahratta Plain always attracts a seasonal influx from Hyderabad and the Bombay Presidency.

In Madras there are practically no immigrants from outside the province, while there is little migration even between the natural divisions. There is, however, some foreign labour in the tea estates at the Nilgiris and in Madras City. The proportion of

\* Tallents Census of India, Bihar and Orissa, 1921, pp 91-92.

immigrants to total population even in these places is, however, hardly over 300 per mille.

The Punjab presents no immigrant population worth noticing, except that a large proportion of the army in India is stationed in the province.

The United Provinces, in conclusion, have not much immigration either, while the balance of migration is about a million against it. "As would be expected," observes Mr. Edey, "the city with the largest number of immigrants is Cawnpore, whose industries attract a certain amount of labour from outside, while there is the usual contingent of Bengalee clerical and professional men, Marwari traders and so forth, although in the latter respects Allahabad and Lucknow are more cosmopolitan. The only aspect of internal migration is towards Cawnpore, which is the solitary industrial town of note in the province and in Northern India as a whole. The proportion of the immigrants to the total population in Cawnpore was 425 per mille in 1921.

To sum up, it appears that almost all the important industrial and commercial cities, as also the growing mill and mining towns, have a large class of floating immigrant population, coming both from the contiguous districts and more distant parts for temporary employment in the industries. Such immigrants generally live single and go back to their respective homes at regular intervals to look after their family and recoup their health. Thus, in the first instance, the cities are periodically reinforced with a fresh contingent of adult male labour, while in the second instance the ratio of females to males is kept permanently and dangerously low, which in turn gives rise to numerous problems of health and morality.

Not only does this floating character of the population, particularly labour, affect the development of industry, but it also renders the work of social reform, town development and general improvement immensely more difficult and complicated. The work of local authorities and non-official welfare organisations is duplicated, while the problems facing the town-planner and the sanitarian become almost insurmountable. Good housing, provision of

cheap recreations, diffusion of general education, works of social and economic advancement of the people and questions of public health and sanitation, all receive a set-back and give rise to fresh complications and difficulties, while the low standard which such immigrants usually set to the necessities of existence, depresses and demoralises the whole labour force. In the sphere of housing particularly, this floating population of single men has created serious difficulties. Their limited requirements can be adequately and cheaply met by the tenement or chawl type of buildings, which are quite suitable to their special needs. In fact, the hostel type of chawls and tenement blocks, now so common in Bombay, Ahmedabad, Calcutta, the Jute Mill towns, Cawnpore, etc., are a legacy of their standard. These chawls may be considered tolerable as temporary habitations for single men; but on account of the lowered standard of the people, competition and the iron law of wages, the family man has to make the best of what is inevitable; while others who might have been thinking of bringing their family with them, are dissuaded from doing so. Thus tenement houses and bad housing conditions in general, might be said to be both a cause and a result of a floating immigrant population. It follows from the above that the greater the floating immigrant population in a city, the worse the housing conditions might be expected to be; and this is more than corroborated by facts.

The problem of this floating immigrant population is peculiar to Indian cities, and has had no counterpart in Western towns, even during the Industrial Revolution. Although instances are not wanting of young men from rural areas migrating to the towns in search of work, the time when industry was maintained chiefly by recruits from the country is long past. When industry was first localised and concentrated in towns in England, there was no doubt a large rural exodus to the towns for employment, but such immigration was not of the casual and floating type which we meet with in Indian towns to-day. This was due largely to the fact that the people who manned the industries in England, cut themselves off entirely from agriculture in which they were engaged



merely as farm-labourers. Moreover, the repeal of the Corn Laws and the agricultural depression in the 19th century permanently displaced a large number of agriculturists who shifted to the towns where they obtained higher money wages and had better chances of employment. The proportion of immigrants per mille of total population in London, in spite of its cosmopolitan population, is only 318 and is steadily decreasing. The largest industrial towns in England register also the largest proportion of native-born inhabitants; while those which register the lowest proportion of native-born are not industrial towns. Thus industry in England by no means spells the breaking up of the working man's family or his temporary removal from his place of birth and domicile as in India.

There are two ways of meeting the problem arising from this unwholesome tendency which for ready reference might be termed as *Preventive* and *Ameliorative*. The latter aims at the improvement of the conditions of life and environment in the cities by the spread of education, the promotion of unity and organisation among the workers, and generally by the adaptation of work, recreations and home-life to the social, religious, moral and economic traditions of the people. The former or the preventive method, on the other hand, consists in removing the causes of the casual, periodic and semi-permanent rural exodus, which will also remove the root-cause of the malady. This might take the form of the consolidation and rearrangement of agricultural holdings which have become incredibly small, and hence uneconomical on account of the Hindu law of succession and the increasing agricultural population, so that the pressure on land may be decreased and the agriculturist may no longer be forced to find out new avenues of work for supplementing his income, while the dispossessed population might cease to have any lingering interest in land. The people will then make towns their homes and strive to adapt themselves and the conditions of work and living to the new circumstances. Secondly, it might take the form of the development of profitable cottage and home industries which might give employment to women and other dependents, no less than to the agriculturists themselves

during the off-seasons and in times of scarcity. The use of cheap oil engines for cottage industries might go a long way towards checking the periodic migration from the villages and the improvement of agriculture, as it has done in Denmark, Switzerland, Norway and even in parts of Canada, France and Germany to a smaller extent. In Denmark and Switzerland, particularly, home industries have so far been perfected that even watches and musical instruments, to say nothing of cloth, furniture, baskets, etc., are manufactured in the homes of village artisans. The expansion of the co-operative movement and the establishment of a net-work of industrial banks would also contribute towards the reorganisation of rural life and production without which urban deterioration cannot be effectively remedied.

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# SOCIAL INSURANCE

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## SUMMARY.

In this Paper attention is confined to the scope and suitability amidst Indian conditions (§ 2) to the several schemes of (§ 3) Social Insurance.

With regard to the established business of ordinary life insurance, compulsory insurance for fixed salaried persons (§ 4) and a well-conceived health and housing service to policy-holders (§ 5) are suggested. Industrial Assurance (§ 6) and Group Assurance (§ 7) on a completely contributory basis are advocated as fields for development exclusively suited for large insurance corporations. Benefits for accident and invalidity, sanatorium and maternity, after superannuation, and to widows and orphans are to be worked (§ 8) on the basis of equal contribution by employers and workers, and therefore operated as distinct organisations by employees. For a satisfactory and solvent working of these funds, suitable data on health and dependency are necessary and steps should be taken to obtain the same through the Labour Offices or at the time of the Census in 1931. For the extended benefits, such as old age pension, national health and medical relief, and unemployment and pauperism allowances, statutory provision is necessary (§9), and a plea is put forward for the creation of a separate department like the Government Actuary's Department in England, or the Bureau for Labour and Social Affairs in Japan to deal with these.

All the above schemes being suitable only for organised workers, and as at present in India the large mass of workers is yet unorganised, etc., a plea is put forward (§§ 10—14) for the introduction of the historical forerunner of all insurance, viz., fraternal assessment insurance, with ample safeguards in supervision and administration. (1) Validating existing organisations,

(2) charging village panchayats and other local bodies with (3) larger association of Post Office and Taluk administration in such work, (4) allotment of suitable state revenues, (5) pooling of certain endowments now with Government, and (6) the consolidation of the funds now being collected by several national and non-official organisations for famine and flood relief and for rural reconstruction, are suggested as the means to scientifically organise and regularise the varied work of social relief now actually being undertaken by Government and other agencies.

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### 1. Scope of Social Insurance.

“ Social ” economics may be understood in a broad or narrow sense. In this Paper attention is confined to the scope and suitability amidst Indian conditions to the several schemes of social insurance. Classically this formed the foremost item on the programme drawn up by the socialist professor, Adolf Wagner, and formed the precursor of that social policy of Bismarck that crystallised itself in Germany in the three famous Acts of 1883, 1884 and 1887, establishing insurance respectively against sickness, against accidents and against old age and invalidity. Wagner’s programme (*cf.* Dawson: *Bismarck and State Socialism*, Appendix) set forth:

1. “ A better system of production, by means of which production may . . . be assured an ordered course . . . More comprehensive participation by the mass of the population, especially of the working classes . . . in the material benefits and the blessings of civilisation caused by the increase of the productive forces; therefore increase of wages . . . assured employment, restriction of the hours of labour . . . exclusion . . . of children from paid employments . . . especially where the conditions are dangerous . . . , similar restriction of female work; adequate precautions against accidents during employment and provision for their consequences; insurance against sick-

ness, incapacity and old age, with provision for widows and orphans."

This is a comprehensive programme which anticipated in advance the progress that had to come within the fifty years following its enunciation, and all the statutory and non-statutory social insurance scheduled in Bulletin No. 401 of the United States Bureau of Labour Statistics in about 28 countries of the west does not go further. The real triumph of these countries lies mainly in their poor relief and social legislation, and it has been stated by an eminent Actuary, Sir Joseph Burn, that "the country which is effectively insured has necessarily an overwhelming advantage over an uninsured country."

## 2. Indian Conditions.

It is not considered necessary to summarise here either the history of state socialism so conspicuously developed in Germany, or the expansion of industrial assurance in England, or the growth of the group assurance, the infant prodigy of the United States, or the schemes for national health, disability or old age or unemployment, benevolent to a degree in Australia, or the wonderful state organisations in Japan for indoor and outdoor relief. Literature is plentifully available in Birmingham Studies in Social Economics: III. *Social Policy of Bismarck* by Annie Ashley; in Bulletin No. 401 of the United States already referred to; or for the most up-to-date information, the *Proceedings of the Eighth International Congress of Actuaries* (June, 1927); the *Report on Sickness Insurance* (International Labour Office, Geneva, 1927, 2s. 6d.); and the Government of India's *Review of the Results of Eighteen Months' Working of the Indian Workmen's Compensation Act*, just published. In the western countries death and disability benefits, sickness and unemployment, and even maternity sanatorium benefits have come to stay as a marvel of sufficiency and efficiency—at least to an Oriental onlooker. But the keynote to such an organisation is the rapid disappearance of the feudal system, the successful transition from the household or domestic system of industry to the factory system, and all that is included

under the term industrial evolution miscalled the industrial revolution. It must also be recognised that in the western countries social insurance means protection to a labour force which is largely literate or at least well-organised. The division of labour having been perfected, and the standard of living having risen considerably, the wage earner in these countries has been able to rouse the co-operative and the humanitarian instincts of his co-labourer, the employer and even the State. But the conditions in India, are vastly different. Of its 319 millions of population, 231 millions are supported by exploitation of animals and vegetation: "fishing, hunting, pasture and agriculture,"—occupations which formed primitive life in anthropology. 286 millions of our peoples are counted "illiterate" at the Census, and about an equal number in places styled "rural." Their economic condition is the result of the fickle monsoons and the fleering money-lenders, even as much as their sanitary condition is a product of frequent famines and everlasting epidemics. As for that section of the peoples which is considered industrialised, in which only about  $2\frac{1}{2}$  millions or  $\frac{1}{4}$  per cent. of the population is included, a woeful tale is told of their inefficiency, illiteracy and migratoriness and, above all, of their lack of enlightenment and concerted action. A European Officer of the Indian Civil Service, Mr. Edye of the United Provinces, wrote in his Census Report of that province, with as much truth as with sting, that "the Indian labourer is not entitled to, and will never attain, considerable political or even economic power." A western social worker, or an orthodox Actuary, will consider any scheme of social and national insurance in the midst of these conditions as impossible and unscientific. It is nevertheless necessary, whether as an actual financial proposition, or as part of the beneficial administration of the country, that a scheme of wide national assurance should sooner or later be undertaken in India.

### 3. Forms of Social Insurance.

Schemes of national and social insurance widely differ by the groups of persons to whom they are applicable and by the

contingencies which they seek to indemnify. They may also be distinguished by their statutory or non-statutory character according as they are directly worked by the State, or are worked through employers' associations and insurance organisations or other corporations. Finally the grouping of the nine benefits mentioned below classifies them by the contributions needed according as they are made completely by the beneficiary himself, or on part basis between him and the employer or the State, or completely by the employer or the State. The benefits are:—

- A. (1) Industrial assurance, (2) Group assurance.

These may be worked by insurance offices and contributions may be wholly paid by the beneficiaries themselves.

- B. (1) Disability and accident benefits, (2) Superannuation benefits, (3) Widows' and Orphans' funds, and (4) Sanatorium and maternity benefits.

These are usually worked by the employers' associations (with or without the co-option of employees' representatives) and contributions are divided (equally) between the employer and the workmen.

- C. (1) National health and medical relief, (2) Unemployment and pauperism, and (3) Old age pensions.

These are largely State benefits and statutory provisions are usually made for contribution and administration.

All the above are schemes which are generally applicable even in western countries only to civil and local servants, seamen, miners and persons engaged in organised industries or registered in recognised trade unions, but agricultural and cottage workers are usually left out of account even in these countries. Nevertheless by the other occupations from nearly 50 per cent. to 15 per cent. of the peoples of these countries are benefited. The conditions in India being obviously different, these nine classes of benefits good in themselves do not go far enough. There is thus need for evolving a scheme largely applicable to persons following rural occupations and I describe a scheme of fraternal assessment peculiarly suitable to these.



#### **4. Compulsory Insurance.**

Before dealing with these, I consider it necessary to touch upon two improvements that may easily be effected, with regard to the established business of ordinary life insurance. The first is compulsory insurance (ordinary whole life, or endowment) for those in the employment of Government as well as in municipal and local services, on a basis of premium expressed as a percentage of salary and which is deducted at the source. This may be extended to include teachers, constabulary, persons in sanitary services and also those employed temporarily. Any insurance company will be glad to underwrite such easy business, or the state itself may operate these accounts as it does now in a few places. The history of our own Postal Insurance Fund and to even a closer degree of correspondence that of the Mysore Government State Insurance is fairly well known and need not be elaborated. A persistent agitation for the extension of the present schemes to all local services is bound to result in good, and the social and personal relief thus accruing to a wide class of hard-worked, poorly-paid, and fixed-salaried officers (usually improvident) is bound to be of large dimensions.

#### **5. Health Service to Policy-holders.**

Secondly, there is notably in the United States and in England what is called health service to the policy-holders (entire or only to those insured over certain sums) by insurance offices, by way of free distribution of sanitation literature, by the broadcasting of exercises, by doctors' free visits particularly during epidemics, by regular medical relief and even by housing and sanatorium benefits and such other means. The American Life Extension Institute, the Metropolitan and the Prudential Insurance Offices have immense achievements to their credit, and the life insurance offices themselves have not grudged the addition so caused to their expenses. The Indian insurance offices have immense possibilities in this direction and the social relief created by health and housing campaign is a national asset and for which suitable Government

and municipal subvention may also be forthcoming if worked on agreed lines.

## **6. Industrial Assurance.**

In the next place a plea may be put up for the development of industrial assurance in this country. At the present stage the amount of Indian industrial insurance business is nil or next to nothing; but the remarkable growth of the same in the U. S. A. (where in 1876 there was only one company with 4,816 policies on its books and wrote \$727,168 during that year, fifty years later in 1926 no less than \$1,000,000,000 was freshly written and no fewer than 40,000,000 policies were in force) and in England (where the present liability amounts to over £300,000,000) indicates the success which such business has achieved. It is a form of life insurance business especially designed to meet the requirements of the wage-earning and industrial population; where premiums are multiples of the last unit of currency in the country; where premiums are payable weekly on the pay day; and may be paid to the collecting agents who call at the doors of the insured; and where insurance may be extended to every member of the family, adult and infant, male and female; grace time, incontestibility and misstatement are dealt with very generously; surrender values, paid up values and options are allowed on very liberal terms. In actual working practice, industrial assurance has met with very liberal support from the employers and from the Government—*e.g.*, by the privileges granted by the Courts Emergency Powers Act in England. In Japan, the “Simple Life Insurance Act” of 1916 established a scheme to simplify life insurance to the peoples of small means by state intervention, the Government acting as the insurance carriers, and the administration work being carried through by the Post Offices; the amount insured which was originally limited to 200 yen has gradually now been raised (by the 1926 Act) to 450 yen. The Mysore Government has also moved in the same direction by extending its State insurance to the public at large. There is however no doubt that in western countries, industrial assurance holds dominating sway in the indus-

trial life, and if Indian labour, or for that matter the generality of the Indian population, has ever to attain any degree of self-reliance and self-consciousness, it is no verbal exaggeration to state that it will be through some scheme of mass and industrial assurance. The wage-earner to-day very probably becomes the shopkeeper or the salaried man of to-morrow, and means must be provided to him in this waiting period which will inculcate thrift and foresight in him and make him appreciate the benefits of extended insurance in due course. The upbuilding of Indian life along these lines is a sacred trust charged to every employer, social worker and administrator. Accordingly a determined attempt on a scale of immense proportions is a necessary duty of the insurance companies that are and are to be, while a benevolent and bold policy of legislation, organisation and supervision is an essential part of the development departments of our Ministries.

### **7. Group Assurance.**

Like all other good things industrial assurance has its weak points also—particularly on account of the enormous wastage due to high expenses. Several honest attempts have been made to give the maximum benefit to policy-holders by the introduction of the “block system,” by the award of commissions on “net debit,” by concessions in taxes, and by all methods of “freedom and publicity.” But more effective than all these has been the solution on scientific lines by what is called “Group Assurance.” In its typical form group insurance insures the lives of a group of employees under a blanket policy, at a reduced premium and without individual medical examination, and is issued to an employer (employing a certain minimum number of persons whose sex, age, health and hygienic condition has been reported upon) upon the contract of the one-year-renewable type usually, though in certain cases five-or-ten-year-term endowment and ordinary policies are also issued under this plan. The benefit may be the payment of a limited sum or a multiple of the annual salary to the diseased employee, provided of course he was in employment at the time of death. The premium rates under this plan will be

lower than they would be if the lives were covered in the regular way, owing to the saving in loading on account of the medical fees, commission rates, collection charges and lapse levies, etc. Of course there is the inspection but the charges on that account can be kept low indeed. The usefulness of group insurance may be significant even from the point of view of the employer. By taking out this protection, he binds his employees more closely to him and inculcates something of the co-operative spirit. To the working man it is a real service even if the employer did not pay the premium but only assumed responsibility as an accounting agency between the company and the insured. Socially, insurance in groups has considerable justification and in the present movement in our country for relief and reconstruction, society demands that provision be made for the proper wants of its members, and for the provision of a class which ordinarily has little ability or little inclination to care for itself. Both in the practical field of accomplishment and in the preparation field of advertisement the Indian insurance offices have considerable scope in canvassing in farms and factories through village panchayats and local boards, municipalities and provincial Governments. It is however true that the initial demand must come from the employers, and "if employers refuse to take the initiative," said Seebhom Rowntree, the ideal manager of that ideal concern, the York Cocoa Works, to an Associated Press interviewer at Bombay in January last, "then it behoves the workers to combine and fight their own cause. If I were an employer in India," continued he, "this is the first thing that I would do because this would also be the speediest course to the prosperity of my business."

### **8. Employees' Funds.**

The schemes above described have a fundamental limitation in that they seek to indemnify a person at his or her death, generally speaking. But in the words of Dickens "It concerns a man to know more the risks of the fifty illnesses that may throw him on his back, than the possible date of one death that must come." And the provision for the evil day which sees a man meet an

accident, be he sick or disabled and unemployed, has appealed to the advanced nations, and employers' liability has been fixed by suitable compensation laws. The theory of Compensation Acts is that industry should bear the cost or loss of life or injury which is occasioned by the production of the goods in the same manner as it bears the cost of replacing broken or worn-out machinery; that every worker or those dependent upon him should be compensated for death or accident. This principle may be improved to allow for the question of fault or negligence, but in the complicated question of modern production the assignment of fault or negligence is difficult, while the occurrence of accident or disability is most frequent. A need therefore exists for the combination of persons engaged in any individual industry or factory alone, and for the operation of an adequate fund for the payment of suitable allowances (with or without consideration also to the size of the family) in cases of accident, disability and later on even superannuation. These funds have gradually been widened to include allowances also for sanatorium and maternity benefits, and eventually also for the protection of widows and orphans left behind. As for the contributions necessary to build up the funds to pay these allowances, it is obvious that the money should come from the industry; the worker or producer, but finally from the consumer; by a deduction from the wages or by a fixed contribution from the employer, but finally by an addition to the cost of the product of industry. But means of apparently going in shares by the worker and the producer is to give it a realistic touch and to secure the co-operation of both. The workers feel an enhanced status and in any case can deliberate to the best of advantage of the workers themselves. The employers have also come to recognise the advantages of such funds and even in India have been beginning to introduce such schemes in part or in whole as may be suitable. There are however certain obvious difficulties, both at the start and during the subsequent stages of such funds. The age and health constitution of the persons engaged in any large undertaking is naturally much varied, and the exposure to risk at the different parts of the industry is hard to assess. Moreover suitable rates

must be evolved for the contingencies involved in superannuation, widowhood and orphanhood. Without properly constructed tables and adequately determined rates of contribution and benefit, the fund is unlikely to be stable for all time. And the first criterion of a fund of this character is its solvency. These actuarial difficulties are considerable in the case of our Indian enterprises and suitable statistics can be made available by the Government in a short time by properly organising their Labour Offices, where they exist, or by opening suitable agencies for such work in future. The Social Leagues such as are now in existence can also supply useful information in this direction. After considerable agitation it was only at the time of the Census in 1921 that even in England dependency statistics of orphanhood, widowhood, etc., were introduced for the first time, and a similar agitation must be set immediately on foot in this country to secure the inclusion of this data at our next Census in 1931. This being a mutual system of insurance, the scope may be widened to include indemnity for any kind of contingency that may be thought of to improve the lot of the labourer. These funds can be operated through the employers, or as in certain places by the trade unions or even by the labour banks, but to lay emphasis upon the benefits to workers alone, these funds have been called employees' funds.

### **9. State National Insurance.**

A scheme of the kind described above is one of slow growth and cannot directly be brought into our country without the proper enlightenment both among employers and among employees. It can be accelerated mainly in proportion to the strength and power of labour which, in western countries, has brought pressure to bear upon the employer and has left the State for developing schemes of national insurance—for health and relief against unemployment and pauperism, and during old age. Statutory provision is made, and is being continually improved, for extending these schemes on a non-contributory basis, and also for persons without reference to means test. One can gauge for himself what strides have been covered in England by such benevolent Acts as the National Health

Insurance Act, 1912, the Superannuation Act, 1922, the Unemployment Insurance Act, 1923, the Widows', Orphans and Old Age Pensions Act, 1925. These are constantly being watched and widened by a separate Actuarial department created under the Ministry of Health; and during the last 12 years, besides large disablement and maternity benefits, the Exchequer made a direct grant of £7 millions, while as medical benefits £8 millions, and as sickness benefits another £8 millions have been disbursed. Japan also, starting much later in the field, has already covered, under the guidance of a separate department for Social Affairs, an extraordinary range in the matter of social relief. Under a Post Office Pensions Act the following benefits were paid in 1924:—

Benefit.		Number of persons.	Yen.
Invalidity	...	1,430	51,462,000
Old Age	...	4,132	113,386,000
Sickness	...	3,384	99,257,000
Feeble Children	...	1,194	155,619,000
Miscellaneous	...	625	8,321,000

As this was not calculated to go far enough, a new Bill has been proposed whose main provisions are:

*Indoor relief:* Old and bed-ridden people who have no relatives to look after them are to be placed in institutions.

*Outdoor relief:* (1) Old people and widows with children are to be provided with relief at home by the grant of cash or food, clothing, fuel, etc. (2) Old persons may be placed, subject to certain prescribed conditions, under the care of selected families. (3) An old age pension is to be paid, either in part or wholly from the State treasury, to old and invalid persons, subject to specified condition as to age, health, capacity, income, record of offences (if any), etc.

*Medical relief:* Municipal bodies, or the State, will provide medical relief for destitute sick persons, in the form either of free treatment by doctors specially appointed for the purpose, or by a money grant adequate for the purpose.

*Protection for poor children:* (1) Orphans and deserted children who are in a helpless condition are to be placed either in institutions or in families. (2) Children who are under the care of widows or deserted wives, and children who are destitute though they have parents are to be given relief either at home or in institutions. Other minor and incidental reliefs have been proposed also, and for administrative purposes Relief Commissions have to be set up by (1) towns and villages, (2) prefectures, and (3) the State.

It will probably be noticed that some of these, being more of a charitable and philanthropic nature, are not exactly of the form of insurance. To decide the extent of the several measures of relief that may be proposed, to collect suitable statistics for the scientific working of these, and generally to be entrusted with the allied matters of organisation and superintendence, a separate branch of the administration, in the Central and the Provincial Governments, like the Government Actuary's department in Britain, or the Bureau of Labour and Social Affairs in Japan, charged exclusively with this kind of work should at once be created. Again, it will also be noticed that this protection is mostly upon a non-contributory basis, in which even the State must find the funds for this purpose by special extension, *i.e.*, by making the society in general bear this cost. On this matter, it would be hard to obtain general agreement in any country, and particularly so in ours where it is already rent by factions, by overtaxation and by poverty. Obviously also, it is too much to expect the State will in some mysterious manner be able to prevent misfortune from occurring to any of its members, or if it does occur, to indemnify him for the loss sustained on account of his own ignorance, lack



of thrift and industry. However, some agreement must be reached upon the matter of common or social obligation and an additional cost be put upon the production of the common articles of consumption to meet these legitimate demands. It will be remembered that the last International Labour Conference at Geneva adopted, after the collection of considerable literature on the point, an international agreement on Sickness Insurance and passed two Conventions and a Recommendation in that connection. At the last session of the Legislative Assembly, Mr. V. V. Jogiah asked whether "the Government of India as a signatory to the League of Nations would ratify the said Conventions and Recommendation." It is a little disconcerting that Sir Bhupendra Nath Mitra made up his mind to reply "Recommendation is not capable of ratification. I am unable to say whether the Conventions will be ratified or not!" in spite of his own admission that "the Government of India have not yet had the opportunity of examining these!"

#### **10. Fraternal Assessment Insurance.**

These orthodox schemes of social and national insurance usually leave out in the western countries, persons engaged in agriculture. In India we cannot afford to neglect agricultural and rural workers, because they form the bulk of the population. To them the elaborate schemes for accident, invalidity, sanatorium and superannuation, etc., benefits are not urgently necessary. The initial benefits may, on the other hand, be confined to (1) death and (2) sickness among the personal contingencies, and to (3) dearth through famine and flood as being the contingency analogous to unemployment in industrialised countries. These risks are vital and provision can easily be made for the payment of burial, or a larger assurance, benefit at death in the usual manner. In rural areas\* sickness or disease is a prevalent pest, and medical relief, with or without money or grain allowance, is a very urgent need. Similar relief during famine and flood is a crying want for the agricultural workers. Government and private agencies are already existent in some form or another to give protection through medical and

sanitary assistance on the one hand, through distribution of clothing and grain, through the opening of relief works, and even through the remission, in part or in whole, of assessment on the other hand. It is only urged that these social instincts may well be developed on scientific and organised lines, and regular schemes of social insurance providing for death, sickness, famine and flood, be provided as part of the administration. It is therefore suggested as a practical measure, that a compulsory fraternal assessment insurance be started with families as units, providing for death, sickness, dearth through famine and flood in the first instance, worked through village panchayats and taluk boards, with vigilant supervision as part of the local administration, and supported partly by flat contribution from the families and partly by a proportionate alienation of certain State revenues of the area.

#### 11. Historical Precursor.

The first difficulty that will be exaggerated, will probably be that the conditions precedent for insurance are not satisfied in this country, *viz.*, (1) that there must be a risk of a general loss, (2) that the probability of the occurrence of this casualty is capable of being calculated with some approximation to certainty, and (3) that the cost of provision is not prohibitive. While it is true that there are no ready statistics to disprove this allegation, it will probably be admitted that the risks are of such a nature that neither the insured nor the insurer can prevent or hasten them: that a large number of persons being exposed to risk the contemplated failure falls upon a comparatively small number during any short interval: and that the loss when it does occur is worthy enough to be provided against, if necessary, even from the general revenues from the State. Dazzled with the perfect network of social and scientific insurance of the present day in the west, let us not forget that their historical precursors were the discredited Friendly Societies, Fraternal Orders and Assessment Insurance. May we not ask if their foundations were not the emancipation of the family as a social unit and the development of a strong religious (social) purpose? Is it not true that India possesses both

the above foundations to a remarkable degree, and one may venture to ask, why should not history repeat itself in this country by fraternal assessment insurance?

## 12. Safeguards.

It is generally argued that defective methods are inherent in fraternal assessment: that reserves sufficient to guarantee payment of benefits are not provided for from the beginning: that certain adverse selection by younger members, etc., will vitiate any scheme of assessment and so on. Much of this classical criticism misses the point when a compulsory or universal system is insisted upon, and when a family with its constant character and composition and not an individual with his varying age and status is the basis of assessment. Accumulation of overcharge from the very inception may easily be secured under the intimate Government supervision proposed, and the relationships to be included in the "family" and the periods of commencement and cessation of the benefits may be left to determine themselves after slight experience. Even supposing deficiencies occur, they may be liquidated by pooling areas, or by additional levies, or even by a State subsidy, as revenue remissions are frequently being done in ever-recurring periods of drought and famine in this country.

## 13. Supervision.

As regards organisation, it will be conceded that Indian life is a fabric of village communities linked through village panchayats and local boards to provincial and imperial governments. A complete hierarchy of "lodges," "districts" and "orders" already exists functioning even in matters of finance. The social and ceremonial aspects of fraternal assurance societies appeal to the Indian temperament even more than the Industrial Courts, Trade Boards and Insurance Commissioners. National ideas of co-operation in this country favours perhaps a compulsory levy or assessment (both as money and in kind) in time of need rather than as a level premium contribution when no obvious risk is being run. Our village accountants are discerning men of the most per-

fect and intimate knowledge. A very large number of fraternal associations, provident societies, chit funds, *kuris*, etc., are in actual working order even now and they deserve to be given a certain civic and legal status. A vigorous policy of consolidation will vivify them and easily secure the rural reconstruction that is now being attempted. A vigilant supervision will secure beneficent results out of them, and a legal status to them, with increased co-operation from Post Offices and Taluk treasuries will elucidate the proper working in this country of fraternal assessment insurance. It is refreshing to note how even the inadequate and unsatisfactory Workmen's Compensation Act (India, 1923) has made progress : the recent Government of India's Review records that "prior to the coming into force of the Act, considerable doubt was felt regarding the possibility of an Act of this kind working smoothly in India . . . . . but the administration of the Act so far, has given rise to remarkably little difficulty, and there is every reason to believe that, in its main features, the Act is well adapted to meet the need it was created to satisfy."

#### 14. Administration.

As has already been admitted, the chief trouble is with the lack of data whereby to assess the actual financial commitment involved in any scheme. However, hypothetically following certain estimates made by Colonel Hutchinson, the Public Health Commissioner in India, in his Report for 1922, we can make certain crude calculations. Taking the same basis of 3.75 million annual deaths and 675 millions of weeks of sickness in the year, and allowing a burial benefit of Rs. 100 and a weekly sickness allowance of half-a-rupee, the cost would be Rs. 375 and Rs. 337½ millions respectively, or together in round numbers, Rs. 71 crores annually. This when capitalised at 7 per cent. amounts to about 1,000 crores of rupees in the aggregate. These figures may appear to be impossibly large. But it may be noted in passing that the public debt of India, provincial and central, Indian and English, amounts to about the same figure, namely, Rs. 964 crores. Even on an annual basis, it may be remembered that the military expenditure

in India amounted between 1921 and 1925 to an annual average of 67½ crores of rupees, almost the above estimate of 71 crores of rupees. Of course no rough figures even are obtainable for a scheme of national agricultural insurance.\* It should however be possible, from direct State contributions, by pooling several endowment funds such as the Famine Insurance Fund, the Lady Dufferin Fund and such other charitable funds as may be pooled together (and this is really a very important matter), by the consolidation of the funds now being collected by national and non-official organisations for famine and flood relief and for rural reconstruction, and in the main by personal contributions from the beneficiaries themselves, to finance such a scheme. Deficits and excesses can always be adjusted with the accumulation of experience. After years of actual working the experience rates will automatically emerge, even as the Manchester Unity Experience or the American National Fraternal Congress tables were not born Minerva-like fully formed. So with India too; and in a few years of actual administration there would be scope and material for the so-called "Mobile Bill" to be put into enactment. No time in India is more propitious than the present for social reform, social relief and social legislation. The revival of age-old fraternal assurance with ample safeguards and securities, let it be repeated, will neither be an impossible nor an unscientific undertaking at the present moment in India. Only public enlightenment and insistent agitation can advance the auspicious day, whereas the interminable postponement of national schemes of insurance in India would be fatal, for

" . . . not to understand a treasure's worth  
Till time has stolen away the slighted good,  
Is cause of half the poverty we feel."

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\* It is understood that an Agricultural Census of the World will be held in 1930 and it is to be hoped that its scope will be extended to include statistics for the provision of insurance for distress caused by famine and flood.

# SOCIAL ECONOMICS

BY

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## SUMMARY.

Economic science is unfortunate in much of its nomenclature, and "social economics" has to be numbered among the terms that are elusive and misleading. If we think what social economics ought to mean on the analogy of "railway economics," and such-like special economic investigations, we are at once faced with the fact that the name does not seem to differentiate it from economics in general. The sources of this confusion are to be found in the fact that Economics is itself essentially a social science. The term "social psychology" does not suffer from the confusedness of the phrase "social economics," and "social economics" itself would not do so, if economics had been a study of the material processes and methods of production.

Some writers would make a division of economics into "pure" and "social" on the ground that part of its data belongs to the *nature of things* and part to the realm of *human contrivance*. But such a division of the science seems undesirable because the "pure" part would have a very narrow and hypothetical range, and because the "pure" elements are after all only facts now operative in a particular social medium abstracted from that medium. The field of study for social economics is made by the practical spirit of man which introduces new factors into the economic environment, deliberately aimed at bringing the economic world into greater harmony with ethical ideals. Social economics is the study of these ameliorative factors, and should in the main confine itself to description, analysis and criticism of actually instituted movements. A course of study in social economics could take up the ameliorative contrivances as they arise under the usual divisions of general economic study. In view of the subject-matter we want a name that will indicate the study

of institutions and movements within the economic field aimed at making the economic forces work to human advantage. The name "social economics" can properly suggest the subject that it studies, only if we allow the word "social" to take its colouring from the endeavour to establish economic justice.

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Economics is a branch of science which is unfortunate in much of its nomenclature. The title "political economy" is itself positively misleading as an indication of the scope of the science that it names. The important word "utility" bears a significance that has to be carefully distinguished from the meaning of the same word in everyday speech, and the much used term "marginal" has an evasiveness that is apt to foster ambiguity. One of the subjects set down for discussion at this Conference is "Social Economics," and it seems to me that we might profitably spend some time in thinking about this title, for it is itself an outstanding example of confused and confusing terminology. The purpose of this Paper is therefore to ask what are the implications of the phrase "Social Economics"; to discuss what place there is for such a department in economic science; and to consider what name would fittingly indicate the scope of that department.

It is generally agreed now-a-days that Economics is the study of the social aspects of man's wealth-getting and wealth-using activities. Marshall defines the science as "a study of man's actions in the ordinary business of life; it inquires how he gets his income and how he uses it . . . . Thus it is on one side a study of wealth, and on the other and more important side, a part of the study of man." Gide in a still more explicit way draws attention to the social implication, when he says—"Political Economy has to do with the relations of men living in society, in so far as these relations tend to satisfy the wants of life and concern the efforts made to provide for all that is generally understood by material welfare." Henry Clay in his book,

"Economics for the General Reader," puts the scope of the science tersely and clearly when he says—"Economics is the study of business in its social aspect, the word 'business' being used in its broadest sense, to cover all lawful ways of making a living."

Starting therefore from the commonly received definition of economics, there is plainly room for many particular economic investigations whose particularity depends upon directing the attention to some special part of the business world. Thus we understand at once the meaning of the phrases "Railway Economics," "Shipping Economics" and "Rural Economics." The utility of such phrases is that they demarcate the field of study. When we take up a book on shipping economics we know that it is going to deal with the social aspects of the shipping business. So when we open a book on rural economics, we expect that it will deal with the relations to their fellowmen of farmers and other rurally located persons, so far as these relations concern their wealth-getting and wealth-using activities. Now analogically "Social Economics" should mean the study in its social aspects of the business activities of men living in society. But how would that study differ from Economics in general?

The confusion arises from the fact that Economics is in itself essentially a social science, and therefore to qualify it by the word "social" is misleading, because it suggests that there is an economics which is not essentially a social study. There is not the same confusion in the phrase "Social Psychology." For in Psychology we may first of all study the processes, the experiences and the activities of the individual mind, and then go on further to study the mind and behaviour of the individual in the social environment. It may be true that psychologically the individual is "made" by his social environment, but nevertheless the individual mind and will is a definite field of fact and can be taken as a field of study without necessarily going on to discuss how the capacities and tendencies of the individual mind operate in the life of societies, or how they determine the form of the social organization. But in Economics you cannot get



away from the social reference. You do not normally have your field of fact bound up in the activities of a single individual. The single individual cannot represent all the facts that you are trying to study. The facts of economics arise through the relations that men establish between themselves in the pursuit of material welfare. Hence economics is always concerned with phenomena which are social. It is concerned with the relations that subsist between buyer and seller, between producer and consumer, between borrower and lender, between rent-payer and land-owner, between employer and employed. It seeks to understand the principles which regulate the connections between such-like sets of individuals.

The position would be different if Economics were a technique of business organization, or if it were an account of the actual material processes and methods of wealth production, or if it were a chemical or physical analysis of the constituents of wealth. For then we would need an adjective to indicate the study which concerns itself with the social aspect. But as we know, the other aspects are dealt with not by the science of economics, but by business training colleges, technical institutes and scientific magazines of various kinds. Economics itself is not the art of material production, but is the science which seeks to discover the laws underlying the activities of ordinary business life. It moves therefore in that region where value appears, and as that phenomenon normally involves exchange, economics must be a social science. So far therefore the word "social" added to Economics appears to be no more than a redundancy.

There is however a ground of distinction that might possibly give a real significance to the term "social economics," and we now turn to consider it. This is the distinction between the Economics that can be built upon data belonging to the nature of things, and the economics that is based upon data that are not permanent and universal but that vary with the changing organization of human society. The Economics all whose data belong to the nature of things would be called "Pure Economics." The Economics part of whose data are belonging to the nature of

things and part are within the sphere of human contrivance, would be called "Social Economics."

We must certainly admit that there are a number of elements in Economics that belong to what may be called the nature of things and that are outside the range of human adjustment. These are permanently given data concerning the world in which man lives, concerning the psychology of the human species, and concerning the relation between the world and man. A number of important economic truths arise from the ground of these fundamental facts. Because nature and man are what they are, there are certain ways in which man must proceed if he is to get from nature the things that he requires for the support of his life. So too there are principles to which man must conform if life is to be lived in comfort. Even for an isolated, solitary man, living under conditions that precluded any division of labour and any exchanging, certain economic facts would emerge just because of what nature is and what he himself is. Thus the conception of Wealth would arise as implying that which he found desirable and which, being limited in quantity, had a unitary or specific importance attached to portions of it. The fact that labour is the fundamental means of producing wealth would become apparent—and with that fact the ideas of form, place and time utility. The conception of Capital too would soon emerge, and also the law of diminishing utility and the law of diminishing returns. Finally, the differing marginal utility of articles, as determined by the urgency of his need and the stock of them possessed, would, even for the isolated man, bring out the idea of value.

It is undoubtedly a useful mental exercise to think away the particular forms of social organization, and to reduce the economic factors to their lowest terms. It helps us also to understand more clearly the economic forces presently operative, if we mentally add them on gradually to more simple conditions. But still it hardly seems legitimate to cut Economics up in the way suggested into two parts labelled "pure" and "social." For the "pure" part must inevitably have a very narrow and also a very

hypothetical sort of range, and yet the name will suggest that its place is the premier one—which will be suggestive of the tail wagging the dog!

But there is a more serious objection than that against truncating the science into “pure” and “social” in this way. It would, if “pure economics” were given importance as a separate study, tend towards false abstraction, and perhaps bring back the dangers of the *economic man*. So far as there are any “pure” or universal elements in economic science, they are operative in particular social media. We could not, for example, have a theory of value of any significance, if we regarded it as emerging from no particular social organization—based neither on free competition nor monopoly, neither on private property nor communism, nor any other particular kind of economic society. The fact seems to be that there can be no economic science of any importance unless it be a study whose system of theory blossoms out of a particular social medium. Instead therefore of trying to break the study up into “pure economics” and “social economics,” it would seem to be a less artificial and a much more fertile procedure to keep the general theory undivided, to maintain the science of economics as the study of man in the ordinary business of life, and to make a comparative study of such economic environments as are distinct enough to make comparison worth while.

Turning now from the misleading suggestions which the phrase “social economics” carries with it, let us inquire what place there is for such a study as the name commonly covers, and then we may be in a position to decide what name would be more fitting. The essential function of economic science is to describe the economic facts, to understand them and explain them. Its function is not to pass ethical judgment upon them,\* nor to set up ideals. But economics is not the whole of a man’s mind, nor does the pursuit of it exhaust his whole personality. One ingredient of the human personality is a practical, ethical spirit, which manifests an unquenchable demand that the ideal be made real. This ethical spirit of man surveys the facts as economic science

describes them, and it surveys the operations of cause and effect in some particular form of society as economic society analyses them. The survey makes clear the lack of congruence between some of the facts of the economic environment and the demands of the moral conscience. Thereupon the practical spirit of man devises remedies, and launches them into that economic organization. And then arises the department of study that goes by the name of social economics. It is really the economic study of factors that have been deliberately introduced with a view to bringing the economic world into closer harmony with man's ethical ideals. If we hold fast to the definition of economics as the study of man in the ordinary business of life, then social economics will mean the study of factors introduced into that ordinary business of life in order to secure certain desirable results. It is desirable, for example, that in the ordinary business of life the individual should not be crushed down because of his weakness as a single individual in bargaining for wages, and so the device of Trade Unionism is invented and brought into operation. Social economics then comes along to study what the effects of Trade Unionism really are. Again, it is desirable that those who fall out of industry on account of sickness, accident, unemployment or old age, should not be left unaided. So schemes of sickness insurance, accident insurance, unemployment insurance, and old age pensions are devised and are fitted into the economic environment. Then social economics comes along to study the economic influences of these new elements in the ordinary business of life.

Social economics then deals with those movements and institutions which are designed to advance human welfare and which try to effect this advancement by modifying in some way the methods of getting or using wealth. It really means the economics of social amelioration within the economic field. It is the light that is to guide the statesman in estimating the effects of measures which aim at modifying the economic forces so as to make them tend towards ends that harmonize with some ethical ideal.

In connection with the scope of social economics, the main question would seem to be whether it should confine itself to ameliorative modifications of the economic environment that have actually come into existence, or whether it should be a kind of Utopia investigator. I am inclined to think that it should deal mainly with description, analysis and criticism of actually instituted movements. Experiments in the modification of the economic environment that have been introduced anywhere in the world might be taken up and studied, and their applicability considered. There would however be no harm in making an occasional excursion into imaginative remedies—just as it is useful at times in general economics to deal with unreal abstractions in order to bring certain matters into clearness, though for the most part it should confine itself to what actually goes on in the ordinary business of life.

If we were to draw up a course for this department of study, we might follow the ordinary divisions of the science, considering in connection with each division the main institutions that have been introduced to guide the economic forces towards the ends of the social ideal. Thus under *Production* we might study the eight hours day, the co-operative credit movement, factory legislation, etc. Under *Consumption* we might study co-operative supply societies, consumers' leagues, etc. And under *Distribution*, old-age pensions, sick, accident and unemployment insurance, trade-unionism and profit-sharing, use of taxation to influence distribution, etc.

There remains finally the question whether we can find a better name than the misleading one of "social economics" for the department of study whose contents we have now indicated. The main requirements of the name are that it should suggest the study of institutions and movements which are contained within the economic field and which aim at making the economic forces work to the advantage of (or at least not to the detriment of) individuals or classes who would otherwise be handicapped or oppressed. "The Economics of Social Reform" occurs to one's mind as a possibility. But it is too wide, for while many social reforms refer to the wealth-getting and wealth-using activities of

man, many of them do not—*e.g.*, the abolition of untouchability and the establishment of compulsory education. "The Economics of Welfare" also suggests itself, but it also would be too wide. For with such a title one would expect discussion of many things that fall within the sphere of Economics in general. What we want to get is a short phrase which will adequately indicate the branch of economic studies that deals with contrivances aimed at moulding the economic environment nearer to the pattern of justice. It seems to me, after much consideration, that it is impossible to get a phrase that will be both neat and sufficient. We should have to resort to some cumbrous expression like "The Economics of Economic Contrivances for securing Economic Justice," or "The Economics of Ameliorative Measures in the Economic Sphere." As such awkward monstrosities would be impossible, I fear we shall have to keep to the phrase "Social Economics." We shall have to be content to let the thing defined itself define the definition. We must, that is to say, in using the phrase "social economics," allow the word "social" to take its tone and colouring from the matters studied. We must allow the word "social" to suggest the endeavour to establish justice in the economic realm, to build a true society, to secure a real community of interests. This means, I fear, that "social economics" will be a significant phrase only to those who have already immersed themselves in the study of its subject-matter. But perhaps that is the case with all namings.

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# THE STREET-BEGGARS OF CALCUTTA :

**A Study of the Problem and its Solution.**

BY

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## SUMMARY.

Extent of professional beggary in Calcutta—The probable causes of its increase—Penal measures for discouraging beggary—The working of the existing Police Acts and the Leper Act—Existing institutions for the admission of helpless beggars—Overcrowding of City hospitals owing to the admission of incurables—Remedial measures adopted in Ceylon and Bombay—Proposed measures for institutional relief—Proposed changes in the existing penal laws—Financial aspect of the problem.

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The problem of professional beggary in Calcutta has assumed serious proportions in recent times. But our civic conscience has not yet been sufficiently stirred to remove this abominable blot upon the fair name of the London of the East. It is an evidence of feeble civic conscience and lackadaisical patriotism that the streets of Calcutta should be littered with horrible wrecks of humanity—a swarm of deserving and helpless people, incurables and defectives, swelled by the able-bodied vagrants and delinquents pestering people with their absurd importunities. In every crowded thoroughfare of the city we find these specimens of degenerate humanity suffering from loathsome and contagious diseases—the lepers, the insane, the idiotic, the feeble-minded—



men of abnormal deformities of body and mind. We pass by quite unconcerned or toss off an occasional pice with an emotion which is as transitory as the mental images of the kaleidoscopic sights of a great city.

It will be well at the outset to realise the extent of the beggar problem in Calcutta. At the Census of 1911 the number of beggars enumerated in Calcutta including the suburbs was 5,624, of whom no less than 2,246 were Mahomedans, 3,052 were males and 2,572 were females. At the Census of 1921 the number of beggars enumerated in the city of Calcutta was 6,691, of whom 2,539 were males and 4,152 females and who were accompanied by 2,641 dependents as distinguished from the real workers. In 1921 altogether 2,324 persons in the city and the suburbs were returned as suffering from one or other of the incurable infirmities. There were 217 insane persons in Calcutta and 136 insane persons in the suburbs; the number of deaf-mutes was 478 in Calcutta and 69 in the suburbs; the number of blind beggars was 523 in Calcutta and 171 in the suburbs; and lastly the number of lepers was 259 in Calcutta and 30 in the suburbs. Another curious fact, of which we must take note, is that the increase in the total number of beggars between 1911 and 1921 was in respect of female beggars only, the number of males in 1921 being the same as in 1911.

Enquiring into the causes of this increase in the number of beggars in the city, we find conflicting tendencies. It is quite a patent fact that private and well-directed charity, which has always formed one of the most admirable features of our social system, has now been at a great discount on account of the pressure of economic life. The private doles are smaller, and the existence of able-bodied vagrants, who assume the garb of religious mendicants, has caused a justifiable reaction against this form of charity. Moreover, the institutions for feeding the poor, such as *Dharmasalas* and *Atithisalas*, which used to be established by the benevolent rich some two decades ago, have disappeared. Then again it is also a fact that we do not find the same number of beggars on the occasions of alms-giving such as *Sradhs* as we used to find before. From all these facts it would appear that

professional beggary must have been diminishing. But, on the other hand, it may be urged that beggars find it more profitable to beg in the crowded thoroughfares of the city than to go from house to house, which means much exertion and small doles in kind and not in cash. Moreover, the disruption of the joint-family system, which used to provide insurance against accidents and old age, has been a cause which tends to increase the number of beggars cast adrift in a friendless world. From the Census reports it appears that, out of the total number of beggars, less than one-fourth were born in the city. This would mean that there is an inflow of actual or intending beggars from centres affected by famine or failure of crops. Again we must reckon with those immigrants, who come to Calcutta in search of employment and are absolutely unknown to anybody there. There is ground for believing that many of them turn temporary or permanent beggars. All these facts explain why, on the whole, professional beggary should increase in Calcutta and its suburbs.

Next we will attempt a rough classification of Calcutta beggars. The professional beggars in that city form a multifarious body, and they range from those who are no better than stinking bundles of flesh to the well-fed, pestering rogue. A classification is necessary not only for purposes of remedy and relief, but also for a right understanding of the problem. We may broadly classify Calcutta beggars into (1) Able-bodied and (2) Disabled. Among the able-bodied beggars the religious mendicants, whose religious order or sect enjoins upon them the discipline of begging, form a class apart. As for the rest, they may be divided into various classes. One of these classes will include the drunkards, the licentious, the shiftless vagrants, etc. Another category will include the orphans, the cast-outs, the neglected who are the products of the disruption of the joint-family or the break-up of family life as the case may be. The juvenile beggars will come under this category. A third category will include occasional beggars who beg during the period of their unemployment. Among the disabled beggars, those who are suffering from curable diseases will fall into a distinct group.

Another category will include those who are suffering from permanent disability such as the blind, the halt and the lame as well as those whose physical disability is due to old age. A third category will include those who are suffering from hopelessly incurable diseases such as leprosy, insanity, syphilis, etc.

Let us now consider the penal measures undertaken to discourage professional beggary and the institutions which exist for the mitigation of this evil. Without being too vehement I can only say that both the Government and the City Fathers have so long neglected a sacred trust, and the Government have tinkered with this problem with an antiquated legislation administered in a slipshod and spasmodic manner

Up to the year 1910 the beggars of Calcutta and its suburbs came under the operation of sections 70 and 40 of the Calcutta and Suburban Police Acts. The sections provided that "it is an offence punishable, in Calcutta, with imprisonment for a term not exceeding one month, and in the suburbs, with a fine not exceeding Rs. 50, to beg for alms in any public street, thoroughfare or place or to expose or exhibit any sores, wounds, bodily ailments or deformity, with the object of exciting charity or of obtaining alms, or to seek for or obtain alms by means of any false statement or pretences." Thus we had a piece of legislation which was the least calculated to prove either a deterrent or a corrective. It was really nonsensical and cruel to send an aged, an infirm or an incurably diseased person to the prison without making any provision for any sort of Relief or Infirmary. In 1910 the law was amended by adding sections 70A and 40A to the Calcutta and Suburban Police Acts. It was provided that "any aged, infirm or incurably diseased person convicted and sentenced to imprisonment on account of such offence might be detained for the term of imprisonment in a Refuge instead of being sent to jail." The absurd rigours of sections 70 and 40 have been mitigated to some extent because there are now the "Refuge," the Juvenile House of Detention and the Leper Asylums to accommodate the various kinds of beggars. But still no useful purpose is served by confining them for a certain period at the end of which they

are free to resume their profession more warily. Again it is simply ludicrous to fine a beggar because the fine, which is usually not prohibitive, amounts to nothing more than a license fee. Moreover, there is no sense in prescribing the imposition of fines on suburban beggars, except if it be assumed that the suburban beggars are specially capable of paying fines.

The worthlessness of the present law is clearly seen in its actual operation, which is nothing short of a public scandal. During 1917 the police arrested 2,739 beggars, of whom 2,719 were sent up for trial. Only three persons were acquitted. Of the remainder 1,031 were merely warned and discharged, 1,020 were detained till the rising of the court, 234 were fined and 155 only were awarded various terms of imprisonment. In addition 145 beggars were sent to the Juvenile House of Detention, 5 to the Refuge, and 26 to the Leper Asylum at Gobra. It will thus be seen that out of 2,739 beggars sent up for trial 2,151 escaped scot-free after a novel and rather amusing experience of a mock-trial which surely breaks the dull monotony of a beggar's life. Of the remaining 565 beggars who were convicted, 300 were sent out for a change of air to the prison or the House of Detention. Of the remainder only 31 persons came under the operation of the rather benevolent sections 70A and 40A of 1910; and these 31 disabled persons were taken care of not for the rest of their miserable existence but for an arbitrary and short period in asylums too few and too small to maintain a large number of them. The beggars too have accepted the situation in good humour. It is a notorious fact that many beggars welcome arrest for they are fed at Government expense while they are detained in the police lock-up or the court lock-up during the pendency of a case, and the continuance of their profession is not likely to be interfered with, as in the majority of cases they are back on the streets the same afternoon. Moreover, the magistrates cannot bring themselves to believe that poverty is a crime and are naturally disinclined to send the beggars to the prison and the prison authorities too are unwilling to admit diseased beggars into the jails for fear of contagious diseases. Thus it is clear that the law as regards beggars has

proved a dead letter and is a standing disgrace to the civic life of the city of palaces.

As regards the institutions which exist for ameliorating the lot of street beggars, they are too few and small to cope successfully with this evil. We have seen that the main difficulty experienced by magistrates in the enforcement of penal measures is the want of habitation to which the beggars can be sent either for correction or for relief. Apart from certain orphanages and rescue homes, the Refuge is the only institution in Calcutta which may be regarded as a sort of vagrants' home; but so far as the existing law is concerned, it is of little use owing to the fact that no beggar can be compelled to reside there for more than a month. The Refuge was started in 1901 and owes its existence to the public spirit of Mr. A. M. Biswas, the founder of this institution. It was started with the object of admitting cases which were not admitted in other institutions, *c.g.*, children under 3 years of age, illegitimate children, persons suffering from incurable diseases who were discharged from hospitals, and non-criminal lunatics. The number of such admissions was 339 in 1923 and 226 in 1924. The number of persons who were convicted by the different courts under the benevolent sections 70A and 40A of the Police Acts and were admitted into the Refuge, was 194 in 1923 and 89 in 1924. Of the 226 persons admitted in 1924, 30 per cent. were suffering from incurable diseases. Those who are not suffering from incurable diseases are usually discharged after a time. But young children are not discharged unless and until their guardians or any other responsible persons take charge of them, because, if discharged, they generally come under the influence of the Goondas, become troublesome and are again convicted and sent back to the Refuge. The children are taught weaving, carpentry, etc., and are also required to do all sorts of household work in the Refuge. Whenever possible, employment is secured for them and they get an honest start in life.

The worst feature of the beggar problem in Calcutta is, however, the absence of institutions which can accommodate beggars suffering from loathsome and incurable diseases, specially pauper

lepers. So far as the pauper lepers are concerned, the Government legislation is scandalously unsatisfactory. Under the present Leper Act a leper means, "any person suffering from any variety of leprosy in whom the process of ulceration has commenced." A pauper leper has been defined as "a leper who has in a public place solicited alms, exposed or exhibited sores, wounds, bodily ailment or deformity with the object of exciting charity or who is at large without any ostensible means of subsistence." The provision, therefore, is that only a pauper who has open sores can be arrested and detained in the Leper Asylum, and that he is discharged as soon as his sores have healed up, no matter whether he is still suffering from the disease or not. So that the result has been that 80 per cent. of the admissions to the Leper Asylums are re-admissions. But it is a patent fact under the provisions of the Act pauper lepers are discharged in a dangerously infective condition. In fact the Leper Act, as the Health Officer of the Calcutta Corporation remarked, is "based upon entirely erroneous conceptions of the epidemiology of leprosy."

Now, so far as institutional relief is concerned, there is very little of it considering the gravity of the leper problem. There is only one institution, *viz.*, the Leper Asylum at Gobra, where there is accommodation for only 150 patients, 30 beds being reserved for Europeans and 120 for Indians. Some of the patients come voluntarily but others are forced to come. Some of these are picked up from the streets in such a moribund condition that a large percentage of them die before treatment could begin. In view of the fact that there are no less than 1,000 lepers in the city roaming about in a highly infective condition, it is really pitiable that institutional relief has been found possible for only 150 lepers. The Leper Mission has recently acquired 700 acres of land in Midnapore for a leper settlement, where pauper lepers can be compulsorily segregated. Through the generosity of a European businessman of Calcutta the Mission contributed 35 to 40 thousand rupees for purchasing the land. But the land is lying idle for want of funds, and it is scandalous and shameful that neither the Government nor the Corporation of Calcutta has

been able to set apart adequate funds for ameliorating the conditions of pauper lepers who are a menace to public health, if not anything else.

As for beggars who are suffering from other forms of incurable diseases, we find that there is no hospital for incurable beggars, and the Government of Bengal and the Corporation of Calcutta have neglected a duty which they seem called upon in the interests of common humanity to fulfil. The result has been that such beggars have been accommodated in the ordinary hospitals, and have occupied space which could be much better utilised by affording relief to those who would benefit by treatment. In 1919 the Superintendent of Campbell Medical School and Hospital and the Superintendent of the Medical College Hospitals brought to the notice of the Surgeon-General that "there was an enormous number of aged, infirm and paralytic patients for whom no prospect of health could be afforded by medical or surgical treatment." The policy of drift went on as usual till 1921, when the Chief Officer of the Fire Brigade complained that there was a shortage of beds in the hospitals and that cases taken by ambulances to hospitals were refused admission and that greatest difficulty was found in finding accommodation for the homeless beggars. In 1922 the Corporation complained to the Surgeon-General that the ambulance service would break down and there would be great public scandal if cases were refused admission. The Surgeon-General replied that a grave public scandal already exists in the fact that there is no public Infirmary which is found in every big town in England.

At last the matter became serious and critical when it was discovered that the parties phoned up for ambulances to remove patients, but the telephone operators refused the calls and asked parties to make arrangement for beds in any hospital and then phone up for ambulances because the telephone operators got instructions from hospitals "not to send any more cases as there are no beds vacant." In fact "public scandal" could go no further.

Now what are the remedies for this wretched state of things?

As regards the remedial measures which may be adopted to combat this social evil, Ceylon and Bombay furnish object-lessons in the matter of the social control of the wrecks of humanity. As early as 1907, Ceylon passed the Vagrancy Ordinance and has established the House of Detention and Home for Vagrants. Under the Act beggars are arrested and brought before the magistrate. If the magistrate declares them to be vagrants, they are taken by the police to the House of Detention which is a sort of clearing house and is under police control. The vagrants are here sorted and medically examined. Those who are diseased and aged are passed on to the Home for Vagrants which is in charge of the Salvation Army. Those who are able-bodied are either sent to tea-estates and other places of employment (persons refusing work being liable to imprisonment up to a period of one month) or are made to sign an agreement to leave Ceylon and not to return for 5 years, and are expelled if they fail to do so. The cost of the upkeep of the Home for Vagrants is equally divided between the Colombo Municipal Council and the Ceylon Government. Other towns which send vagrants to the Home pay the cost of their vagrants. Mendicant beggars are exempted from the operation of the Ordinance. "While the average number of inmates per month in the House of Detention has been 65 and in the Home for Vagrants 149, from 1913 to 31st December, 1919, actually no less than 3,465 vagrants passed through the institutions." (Mendicancy Committee's Report.)

In Bombay the Beggars' Camp at Rowli Hill is an institution started on essentially the same lines. The street beggars are sent to the camp by the police, but the majority are collected from the streets by volunteer workers who "generally fix upon a centre where the beggars are known to gather together and two by two they scour the streets and lanes picking up any who are willing to go. . . . No pressure is brought to bear upon them; they all come of their own free will." (Report of the Helpless Beggars' Relief Committee, January, 1923.) The beggars are conveyed to the camp in horse and motor ambulances lent to the authorities by the Municipal Health Department. When a..



new batch arrives at the camp, after their particulars have been taken and necessary records made, they must all see the doctor who very carefully examines each case. "After this is over each has to take a bath, and this presents quite a problem for some have not bathed for months. This is followed by a substantial meal which all appear to enjoy." A doctor from the Municipal Health Department attends to the sick everyday. Although the camp is meant only for helpless beggars and so there is little hope of successfully carrying on any industry, yet an attempt has been made. Some of the inmates have been taught cane-work and handloom weaving. The inmates are interested in gardening and almost the entire open space has been utilised to grow something or other. The total admissions to the camp in 1923 numbered 1,174, of whom 237 were blind, 390 sick, 188 lame, 30 mentally deficient, 5 deaf-mutes and 324 were children under 16 years of age. Most of the sickness was found to be the result of lack of nourishment and exposure, so that 50 per cent. of these soon recover and are discharged.

In Calcutta institutional relief should proceed on substantially the same lines. The principle should be to regard the beggar problem as the problem of Social Control. The beggar who has been declared a vagrant by the magistrate, should not be visited with specific punishment but should be committed to the charge of experts who know his needs and can take proper care of him. Hence there should be different institutions for different classes of beggars. Moreover, it should be recognised that the success of these institutions will depend upon the spirit which animates the workers. Institutional relief can never be completely successful, unless the workers believe in the redemption of the social, moral and religious wrecks of humanity.

As the Mendicancy Committee of 1920 recommended, the following institutions should be established as "Integral Units" of the machinery of poor-relief:—

(a) Receiving Centre and Casual Ward.

(b) Hospital for Incurables and Curable Ward.

- (c) Almshouse.
- (d) Industrial Home.
- (e) Industrial School.

The Receiving Centre would be a sort of clearing house like the House of Detention in Ceylon. Here the vagrants will be cleansed, medically examined and kept under close observation in order to determine the particular class in which he will be placed for purposes of relief. According to the calculations of the Mendicancy Committee, the Incurable Ward should consist of 5 blocks with 40 beds each and the Curable Ward 50 beds. The Almshouse will be meant for those who are driven to the streets by old age. They should be given light tasks and should be made to feel that pauperism is not a crime and might also be an accident. So far as the Industrial Home is concerned, it will be meant for applying the work-test to the vagrants and for enabling the disabled partially to earn their living. The familiar argument against pauper labour will be advanced no doubt; but work-test is one of the essentials of poor-relief, for otherwise it will be difficult to determine not only the vagrant's willingness to work but also his capabilities, and hence poor relief will encourage the very parasitism which it is one of its aims to repress. Perhaps the most important institution will be the Industrial School, the aim of which will be to take care of the child-beggar, who, if he does not develop criminal propensities, develops into a confirmed parasite. It has been suggested that children ought to be kept in the school up to the age of 16. The main aim of the school should be to apprentice the boys to some trade as soon as practicable after giving them an elementary education. There should not be a fixed age-limit, for otherwise the school will be overcrowded and moreover it will be bad for the boys to grow up in strict isolation.

When discussing the various remedial measures, we should not lose sight of the religious aspect of the question. Alms-giving, specially in places of worship and near the bathing ghats, is one of the familiar sights of Calcutta. Any interference with this custom by declaring begging in public places or thoroughfares illegal will

be calculated to wound the religious susceptibilities of the Hindus, because alms-giving just after bathing and *darshan* is regarded as a meritorious act. Again the religious mendicants as a class must necessarily be excluded from the category of ordinary vagrants. Hence the Mendicancy Committee recommended that begging should be allowed in the vicinity of religious places and bathing ghats and that the law should not interfere with religious mendicancy. But if, as a result of the establishment of poor-law institutions, the law against beggary is made more stringent and is more strictly enforced than at present, then it is apparent that, if this recommendation of the Mendicancy Committee is carried into effect, there will be, firstly, an overcrowding of beggars in places of worship and secondly an increase in the number of bogus mendicants all over the city.

With the establishment of the various poor-law institutions on the lines suggested above, it is essential that the existing penal measures should not only be made more stringent but should also be strictly enforced. Every person who has been declared a vagrant for the first time, should be sent to the Receiving Centre and properly dealt with, no matter whether he is able-bodied or not. But if the able-bodied vagrant is declared a vagrant for a second time after his discharge from the poor-law institution, professional beggary should then be regarded as an offence and he should be liable to three months' imprisonment. If he is declared a vagrant for the third time, he should be liable to imprisonment for one year. The corresponding terms of imprisonment in England are also three months and one year. Secondly, the system of realising fines from the suburban beggars under the existing law should be discontinued. Thirdly, there should be severe punishment for those able-bodied beggars who have set up a regular organisation, and either encourage their children to beg in the public streets, or hire "emaciated, mutilated or diseased" children for the purpose of exciting charity. Under the English law of 1908 the maximum penalty is imprisonment with or without hard labour for three months or a fine of £25, or both, for a similar offence. In Calcutta the punishment should be severer, considering the well-organised

exploitation of unfortunate children, and there should be a maximum penalty of six months' imprisonment or a fine up to Rs. 500, or both.

In conclusion, let us consider the financial aspects of this question. As usual, negotiations are going on between the Government of Bengal and the Corporation of Calcutta on the subject of financial commitments for a very long time. As pointed out above, the establishment of an Infirmary for Incurables has become so urgent that it cannot be postponed any longer. The Corporation of Calcutta has long been pointing out the necessity of a home for incurables and curables and has been asking the Government to bear two-thirds of the expenditure on the ground that three-fourths of the beggars in Calcutta are immigrants, and hence they should be chargeable to provincial revenues. In 1923 the Government pointed out that the Government were not prepared to admit liability in respect of vagrants in the city of Calcutta, although partial liability is accepted by the state of Ceylon for poor relief in Colombo. Hitherto it had devolved almost entirely upon provincial revenues to support the heavy cost of founding and maintaining hospitals for the public of Calcutta. Hence, if further development was to be made in order to provide medical relief for vagrants, the Corporation of Calcutta ought to accept the necessary expenditure as a legitimate charge on municipal funds (Letter No. 2237-M, dated the 17th July, 1923). The Corporation pointed out that it cannot be said that "it has devolved entirely upon provincial revenues to support the heavy cost of founding and maintaining hospitals in Calcutta"; as a matter of fact some 23 institutions owe their existence to private benevolence, and except the Calcutta Medical College none of the institutions depend entirely upon Government. Most of the above 16 institutions do not get any help from the Government. The Corporation has founded and has been maintaining 16 dispensaries, and it has been spending more than a lakh of rupees annually in grants to charitable institutions and orphanages. Recently, however, the attitude of the Government seems to have undergone a change. The Government has relented so far as the Hospital for Incurables is concerned,

but it will not assume responsibility for other classes of beggars. This is obvious from an extract from a letter recently addressed to the Corporation on this subject :

“ Government in the ministry of Local Self-Government notes that a scheme for opening a hospital for incurables is now being considered by the Public Health Committee of the Corporation, and he awaits the Corporation's final decision on this question.

As regards able-bodied and child beggars, His Excellency in Council cannot accept the view that the provincial Government should be considered responsible for these persons, the Corporation making a contribution only to whatever scheme is devised for dealing with them. Calcutta affords attractions to the rich as well as to the poor, and it might be argued with equal force that a portion of the local rates paid by well-to-do immigrants from the mofussil should be handed over to Government to be spent for the benefit of the districts from which they hail.”

The Government has, however, consented to undertake legislation providing that either foreign beggars should be compulsorily repatriated or the cost of their maintenance should be borne on a capitation basis by the district or the province from which they emigrated. In this way the Government wants to simplify the problem and escape scot-free from any financial commitments. The financial problem thus has not yet been solved and the same policy of drift has been continuing. In justice to the Corporation of Calcutta, however, it may be mentioned that recently they have made a beginning by making a non-recurring grant of Rs. 10,000 for equipment and a recurring annual grant of Rs. 15,000 for maintenance of an Incurable Hospital with 100 beds which is to be opened by the Jatiya Ayurbijnan Vidyalaya.

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# LAND MORTGAGE BANKING

## WITH

### SPECIAL REFERENCE TO BENGAL

BY

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#### SUMMARY.

The first land mortgage bank of India was registered in London on October 4, 1863, and continued to grant long-term advances till 1885 when it was wound up. This business was taken up by the loan offices in the various districts of Bengal from the year 1865 and continues to the present day. All these institutions were however primarily in the interest of the landlords. The first definite scheme for assisting the ryots was outlined by Khan Bahadur Syed Ahmed in 1879. There were to be two separate institutions, one for the relief of agricultural indebtedness and the other for the improvement of land. But there were obvious defects, and other schemes were subsequently proposed. The consensus of opinion at present is that there is scope for long-term finance both for landlords and ryots. The first may not be run on co-operative lines, but the second should be, as a separate department of the existing Central Banks. It is true that there are dangers in such "mixed" banking, but they may be guarded against. There will be efficiency and economy in management to outweigh this disadvantage. Apart from the objects laid down in the official scheme, other functions may also be suggested for the land mortgage banks in Bengal, *e.g.*, the removal of uncertain burdens on land. There are many details in the schemes of control and management on which there may be difference of opinion, but land mortgage banking will be eminently successful in spite of everything, if only it can usher in an era of greater agricultural productivity.

## FIRST LAND MORTGAGE BANK IN INDIA.

It is generally held that land mortgage banking in India is of recent growth and that the first bank of this kind, the Jhang Mortgage Bank, was started in the Punjab in 1920. But it is interesting to note that the earliest experiment in land mortgage banking in this country, was made sixty-four years ago. On the 4th of October, 1863, a Company called the Land Mortgage Bank of India Limited, with a sub-title of Credit Foncier Indien, was registered in London. Its object was to grant loans on the mortgage of landed property in India. It had a subscribed capital of £2,000,000, out of which £400,000 was called and immediately paid up. The Company was based on the model of the French Credit Foncier.

### DIRECTORATE.

Its first Board of Directors consisted mainly of persons who knew "India very well." The first Chairman was Mr. Samuel Laing, the Finance Member of India from 1860 to 1862. Colonel Balfour, late Chief of Military Finance Department of India, Sir John P. Grant, formerly Lieutenant-Governor of Bengal, J. T. Mackenzie, Esq., Deputy Chairman of the Eastern Bengal Railway, and W. Mackinnon, Esq., of Messrs. Mackinnon. Mackenzie & Co., served also as directors.<sup>1</sup>

### ORGANISATION.

The Company had its agents in Calcutta, Bombay and Madras. In addition to this, it had "sub-agents in all the principal cities, towns and districts of Bengal, Madras, Bombay, Scinde, North-West Provinces and Oudh." The Company's bankers in this country were the three Presidency Banks of Bengal, Bombay and

<sup>1</sup> The Economist (London), October 10, 1863, p. 1148.

Madras, where its Indian cash balances were deposited until they were required for advances upon mortgage.

### BUSINESS AND PROFITS

The Company's work in India began in April, 1864. It appears from the report of the first general meeting of the shareholders held on the 4th October, 1864, that the maximum period for which loans were granted at the time was 7 years and that the interest charged on the loans varied from 8 to 10 per cent. The funds from which these loans were advanced, consisted, not only of the Company's paid-up capital but also of its debentures floated in London. The Company's loan operations increased rapidly during the first few years of its existence. By the 31st of December, 1864, its loans on mortgage in India amounted to £306,007 4s. 0d. Just after one year, the loans had risen to £914,839 1s. 9d.<sup>2</sup> The income from the interest on the loans steadily increased. The accounts submitted up to the 31st December, 1864, comprising actual operations over eight months, showed a net profit of £12,288 7s. 8d. During the next year ending on the 31st December, 1865, the net profits rose to £24,399 16s. 2d., providing for an annual dividend of 6 per cent.

### GRADUAL DECLINE.

The bank continued its work for twenty years more, though its subsequent history was somewhat uneventful. The last reference to the bank which the present writer has been able to trace is in the Bankers' Magazine (London) of 1885. In that year, the Chairman of the bank observed in the annual report that "their loan business had now almost ceased and the amount of current loans had been brought down to £35,000." The bank appears to have been closed shortly afterwards.

<sup>2</sup> The Economist, May 19, 1866, p. 14.



## REASONS FOR FAILURE.

The reasons for the failure of this bank are not known. Its financial difficulty might have been partly due to the advance of large sums against tea; for, at the annual meeting of 1885, one of its shareholders, in referring to the bank's unsatisfactory condition, complained of "the steady fall in the average price of tea, and the probability of still further reduction in value." Secondly, when the bank was started, it expected much from the proposed extension of permanent settlement throughout British India. The shelving of this proposal and later on its rejection in 1883, must have made its loan operations in the temporarily settled areas a matter of considerable difficulty, as the lands in those parts still continued to be subject to fluctuating state demand for land revenue. Even in the permanently settled areas of Bengal, which formed the bank's chief field of activity, new rivals came into prominence, which soon captured a considerable portion of its business of advancing money to Bengal landlords on the mortgage of their landed property.

## LOAN OFFICES IN BENGAL DISTRICTS.

These new rivals are the loan offices which are now to be found almost in every district in Bengal. One of the earliest of these institutions was the Faridpur Loan Office Limited, founded in 1865 and registered by the Registrar of Joint Stock Companies in Calcutta on the 13th of June, 1870. The next rival in the field was the Mymensingh Loan Office Limited, started in the town of Jamalpur, in 1873. This was followed within a year by the Barisal Loan Office Limited, established in 1874. Two years later came the Jessore Loan Company Limited.<sup>3</sup>

## DESCRIPTION OF A TYPICAL OFFICE.

The following account of the last-named institution is to be found in a Resolution on the Administrative Report of the Presi-

<sup>3</sup> These four loan offices are still carrying on their business in their respective districts.

gency Division for the year 1881-82, published in the Calcutta Gazette of October 4, 1882:—

“ The Jessore Loan Company has earned over 20 per cent. during the year on its capital of Rs. 80,000. . . . The following account of this Company is given by the Commissioner:<sup>4</sup>

“ The Jessore Loan Company is an excellently managed and most useful institution, which after many struggles has won a large share of public confidence. It receives at the rate of 6 to 12 annas per cent. per mensem, and so large was the amount offered last year, that a notice was actually issued that no further deposits would be taken. . . . The Company opens current accounts, issues cheque books to its customers, and transacts every branch of banking business, but it is as a loan office that its main usefulness lies. It advances money on the security of landed property (*putni* and *zemindari* only), houses, jewellery and goods. Advances on land are calculated on the basis of ten years' purchase, and a margin of Rs. 50 per 1,000. The largest sum out on a single transaction is Rs. 20,000. . . . I may mention that the capital will shortly<sup>5</sup> be increased from Rs. 80,000 to Rs. 1,20,000.

“ The Lieutenant-Governor has noticed with satisfaction the establishment of similar companies in other parts of this country. They are entirely under native management, enjoy the confidence of the public, and supply the needs so much felt in other parts of India, of agricultural banks. . . . ”

But the usefulness of the loan offices as agricultural banks was

<sup>4</sup> The Commissioner of the Presidency Division, Bengal.

<sup>5</sup> It is interesting to note that the share capital of the Jessore Loan Company is at present Rs. 1,20,000 out of which Rs. 1,00,000 is paid up and Rs. 20,000 uncalled.

somewhat limited as they lent neither to actual cultivators nor for agricultural improvements.

### PRESENT-DAY FEATURES.

Even at the present day, only the loan office in the Jalpaiguri district advances fairly long-term loans against tea gardens and machineries and short-term loans with or without the hypothecation of annual tea crops. The loan offices in other districts rarely finance any agricultural industry. Their chief business is to lend to zamindars, mainly on the security of their immovable landed property.<sup>6</sup> Loans by such banks on the security of non-transferable occupancy holdings of ryots are very rare. The Rangpur Loan Office Limited which was started in 1894, and has now a zamindari estate, with a gross annual income of Rs. 40,000, lends to its own tenants on the security of their occupancy holdings. But as the loan office is itself the zamindar, the non-transferability of the holdings does not affect it in any way.

### FOR ZAMINDARS AND NOT FOR RYOTS.

It thus appears that the first land mortgage bank in India did not lend to the ryots on the security of their holdings. The loan offices which captured its business in Bengal have hardly done anything in this direction. In fact the idea of having banks mainly for providing better credit facilities for the ryots on the security of their land, seems to have been unknown in India till the seventies of the last century.

### AGRICULTURISTS' RELIEF BANKS.

The first definite proposal aiming at this object was made by Khan Bahadur Syed Ahmed in his Memorandum on Agricultural

<sup>6</sup> Loans are granted also on personal security. In one loan office the proportion of such loans to the loans granted on the security of immoveable property, is, according to its last balance sheet, 1 : 15 but in another loan office they are almost equal in amount.

Banks, dated September 3, 1879, and included in Appendix I to the Report of the Indian Famine Commission of 1880. In this Memorandum Mr Ahmed advocated firstly the formation of agriculturists' relief banks, on the lines suggested by Sir John Strachey in 1876. One such bank was to be established in every district for the following purposes:—

“(a) To lend money to agriculturists:

(i) for purchasing seed, cattle, ploughs and other agricultural implements. . . . .

(ii) for the subsistence of tenants, their families. . . .

(b) To provide for sale to tenants, corn, cattle, ploughs and other agricultural implements.”

#### LAND IMPROVEMENT BANKS.

He suggested also the formation of land improvement banks which would advance money to tenants or landlords for the objects named below:—

(a) for the construction of wells, tanks, and other works for the storage, supply or distribution of water for agricultural purposes;

(b) for the preparation of land for irrigation:

(c) for the construction of works for the drainage of land, for the protection of land from floods and such other purposes.

Both the types of banks were to be limited liability companies with share capital and the Government was to purchase a certain number of their shares.

#### GOVERNMENT SUPERVISION AND CONTROL.

General superintendence over the agriculturists' relief bank in every district was to be exercised by a Deputy Collector nominated by the Government. “The *tahsildar*, the *peshkar*, the

*kanungo*, the *tahwildar* of the *tahsil*, the *patwari* of each village shall be held as officials of the bank." The bank was to liquidate "the debts due by the tenants" to the *mahajan* and grant them further loans on their pledging their *zamindari* or tenancy interests, or cattle or agricultural implements or the produce of their annual crop to the bank. The bank's rate for loans was to be fixed by the Government from time to time. The land improvement banks were to "conform to the provisions of the Land Improvement Act of 1871." The Collector of the district was "to be president of all the banks thus established and the funds" were to "be deposited in the district treasury." Further, these banks were to be allowed the privilege of having their loans recovered in the same way as was laid down for the recovery of advances made by the Government.

### SUBSEQUENT SCHEMES.

The two classes of banks outlined above, would have had all the defects of Government institutions. The loans administered by these banks would not have fared better than the loans at present granted by the Government under the Land Improvements Loans Act of 1883 and the Agriculturists' Loans Act of 1884. Nevertheless, the importance of Mr. Ahmed's schemes lies in this that they contained the first definite proposal for non-co-operative mortgage banks for the relief of agricultural indebtedness. Most of the subsequent proposals of a similar character have been described by Strickland<sup>7</sup> and need not be recapitulated here.

### RECENT PROPOSALS.

Expert opinion has undergone considerable change as to the classes of people for whom land mortgage banks are required in this country. Nicholson wrote in 1895 that "banks devoted solely or chiefly to land mortgage credit, do not appear to be either

<sup>7</sup> Strickland: *Studies in European Co-operation*, Vol. II, pp. 70-71.

suited to or needed by the ryots of the (Madras) Presidency. The clientele of the banks will consist of very small folk requiring very small loans; no land bank can deal in such business, for the cost of enquiries, the risk of bad business, the worthlessness of petty parcels of land to a central bank, prevent a land bank from dealing with such folk, as the experience of Europe amply shows."<sup>8</sup> Dupernex also advocated the establishment of land banks, not for the ryots but for the benefit of the encumbered estates in the United Provinces.<sup>9</sup> But the establishment of such banks for the ryots appears now to be an accepted principle with both official and non-official experts. Witness after witness before the Royal Commission on Agriculture in India pleaded for the establishment of land mortgage banks for solving the problem of agricultural indebtedness. The only dissentient voice was that of Mr. Oakden, Chairman of the United Provinces Co-operative Committee of 1926, who repeated his Committee's opinion that the time for starting such banks in the United Provinces had not yet come.

### LONG-TERM FINANCE FOR RYOTS.

It appears, however, that the Co-operative credit movement in India has now reached a stage when some special measures are necessary for effecting permanent improvements in land and for the liquidation of old debts. Unless these are adopted, even the work of short-term credit will be rendered more difficult. As Strickland writes, "village societies of comparatively short-term credit. . . . cannot appropriately issue large or long-term loans from their own resources, and such loans as are given by village societies for the purposes of improving cultivation, redemption of old mortgages, or clearance of hereditary debt must either be limited to petty advances for short periods, or if more generously given against a land mortgage will lock up the funds of the tiny

<sup>8</sup> Nicholson : *Report regarding the Possibility of Introducing Land and Agricultural Banks*, Vol. I, Preface, p. xiii.

<sup>9</sup> Dupernex : *People's Banks for Northern India*, p. 32.

community for a dangerously long term to the detriment of the general body of members. A mortgage institution is therefore needed to supplement the society of short credit."

### LONG-TERM FINANCE FOR LANDLORDS.

While the establishment of banks providing long-term credit to ryots will meet a real want, similar institutions for landlords will also be quite useful. It is true that the demand for long-term loans by the landlords for making agricultural improvements, is very limited. But they may require such loans for clearing off ancestral debts usually held at exorbitant rates of interest. As to the question whether such landlords deserve any consideration, Dupernex remarks, "although a man who contracts debts and hopelessly encumbers his estates is not entitled to much consideration, it is otherwise with his successor who has had nothing to do with incurring the debts."

### LAND BANKS AND LANDLORDS.

The land bank may also advance money to a landlord to buy out his co-sharers so that the subdivision of estates may be avoided. This will remove one of the causes of absentee landlordship, by making it worth the while of the landlord owning the entire property to remain in his estate. Such banks need not necessarily follow co-operative principles. If by a certain amount of state control and state aid, the loan offices could be induced to advance loans for longer periods and at a lower rate of interest, they would meet the requirements of the Bengal landlords for the objects stated above.

### CO-OPERATIVE BANKS FOR RYOTS.

As to the provision of long-term credit for the ryots, banks providing such credit should be brought within the fold of the co-operative movement. Though the spirit of co-operation is generally lacking, one advantage of incorporating the mortgage bank

under the Co-operative Societies Act will be that the danger of cheap credit, which is greater in the case of the illiterate ryot than in the case of the more educated landlord, will be considerably reduced. The privileges granted to co-operative societies by the Government will also help the mortgage banks in their early stages.

### RISKS OF " MIXED " BANKING.

There is a considerable difference of opinion on the question whether the land mortgage bank for the ryots should be a separate institution or simply a department of existing co-operative credit societies. Wolff said in 1916 " mortgage credit in India . . . will be a great boon to ryots, but it ought to be organised by means of district institutions which might very properly be of a co-operative order. And you can have no linking up of mortgage credit institutions and personal credit institutions for the purpose."<sup>10</sup> Calvert also objects to " the confusing of local credit societies with mortgage banks " as they are " entirely separate institutions, with different objects and catering for distinct classes of members."<sup>11</sup>

### DANGERS MAY BE AVOIDED.

Though mortgage banking is of too complicated a nature to be carried on independently by primary credit societies, one fails to see why such societies will not be able to do this work as agents of the Central Bank. The mixing up of short-term and long-term credit may be avoided by dividing the Central Bank into two distinct departments, one dealing with short-term and the other long-term credit. The loan offices in Bengal carry on, in addition to mortgage operations, a certain amount of ordi-

<sup>10</sup> Wolff's article in the *Wealth of India*, February, 1916, quoted in the Report of the Baroda Land Mortgage Bank Committee, Vol. I, pp. 99-100.

<sup>11</sup> Mr. Calvert's Note on Land Mortgage Banks in the Proceedings of the Ninth Conference of Registrars of Co-operative Societies in India, p. 123.



nary banking. Some of these institutions are quite successful from the standpoint of shareholders. The Rangpur Loan Office Limited declared an average annual dividend of 48 per cent. during the last five years.

### ECONOMY AND EFFICIENCY IN MANAGEMENT.

One advantage of such 'mixed' banking will be economy of management. Two departments of the same bank will not involve the same expense as two separate institutions. As the agricultural holdings in India are generally very small, the room for costly agricultural improvements is at present limited. The amount of long-term loans is therefore likely to be smaller than short-term ones.<sup>12</sup> The non-transferability of occupancy holdings stands also in the way of the granting of large loans for long periods. The land mortgage bank, if it is a separate institution, may not attract sufficient business at the initial stage so as not to run at a loss.<sup>13</sup> The mortgage bank will therefore be compelled to extend<sup>14</sup> the area of its operation, with the result that it will have an insufficient control over the borrowers. "A bank of large area," as Strickland writes, "will seldom be able to bring its members together in a general meeting or to keep itself informed of their condition and behaviour."

### SEPARATE DEPARTMENT IN CENTRAL BANK.

The only satisfactory solution is to ask the Central Banks to take up land mortgage banking in a separate department. Ade-

<sup>12</sup> The finding of the late Major Jack in his Settlement Report of Bakarganj was that the amount of short-term loans was larger. This appears to be true for other districts of Bengal.

<sup>13</sup> According to the latest Report on the Working of the Co-operative Societies Act in Burma, "the two Land Mortgage Societies in the Mandalay District are moribund and it will probably be necessary to disregister them." Though no explanation has been given by the Registrar, the unsatisfactory condition of these banks must have been partly due to the starting of separate institutions over small areas.

<sup>14</sup> The Naogaon Ganja Mahal Co-operative Bank Limited, the only mortgage bank in Bengal, has an area of operations of about 80 square miles.

quate control over the proper use of loans would then be ensured by lending through primary credit societies under the Central Bank. One great advantage of the above scheme is that the ryot will have to borrow from the same institution both for his short and long term requirements and there will be a better check on his borrowing. The Naogaon Ganja Mahal Co-operative Bank Limited, which is the only co-operative institution in Bengal providing for land mortgage credit, grants also cash credit advances to its members. This is a step in the right direction so long as short-term deposits are represented by short-term investments and long-term funds by long-term loans. If the Central Banks refuse to have mortgage banking business, separate land mortgage banks of the Naogaon Bank type, may be started.

#### FUNCTIONS OF MORTGAGE BANKS.

Coming now to the functions of the mortgage banks, it may be said that in addition to the functions mentioned in the bye-laws of the Co-operative Mortgage Bank Limited in Bengal<sup>15</sup> such banks may partly solve the problem of divided ownership of land which lies at the root of the agricultural backwardness of Bengal. Though the Permanent Settlement declared the zamindars to be the proprietors of land, the occupancy ryot in Bengal may now, for practical purposes, be regarded as the proprietor of his holding subject to three charges:—

- (1) the existing rent charge,
- (2) the liability to an enhancement of rent, and
- (3) the premium payable on the transfer of his holding.

The last two are variable and uncertain. Obviously this is very unsatisfactory and retards agricultural improvement.

<sup>15</sup> The functions are :—

- (i) The redemption of mortgages and liquidation of old debts.
- (ii) The improvement of land and method of cultivation.
- (iii) Installation and purchase of agricultural machineries.
- (iv) The purchase of land.
- (v) The grant of cash credit advances for current requirements of members.

## REMOVAL OF UNCERTAIN BURDENS ON LAND.

Legislation fixing rent and premium on transfer is likely to cause injustice, either to the landlord or the tenant. If the matter is left to custom, the only result will be litigation. The true remedy is therefore to buy out the landlord with respect to his right to enhance the rent and to demand a premium; in other words, to convert occupancy holdings into holdings at fixed rates. One of the legitimate functions of land mortgage banks should be to find out money for this purpose. This, as is apparent, is different from advancing money to purchase land to which objection was raised by Mr. Madan at the Ninth Conference of Registrars, on the ground that it would lead to speculation. The scheme suggested is in reality a scheme for the improvement of land by removing some uncertain burdens on it.

## ULTIMATE OBJECTIVE OF MORTGAGE BANKS.

The principles to be followed in granting to ryots long-term loans and in their repayment, the best method of raising long-term funds, the question of limited *vs.* unlimited liability, the nature of State aid to be given to mortgage banking institutions and matters like these cannot be discussed in this paper which already exceeds the limit of ten pages. But it may be noted that the success of land mortgage banking will ultimately depend on the increased productivity of land, that is to say, on the question whether long-term credit will enable the ryot to grow two blades of corn where only one grows now.

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## CO-OPERATIVE FINANCE

BY

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Credit is an almost indispensable condition of agriculture, particularly when it is conducted on a small scale. The agriculturist needs credit as working capital, that is to say, for buying seeds and manure and for paying the wages of labourers. He is also often obliged to have recourse to loans for purchasing cattle and implements and for effecting improvements on the land. These are the ordinary uses of credit. But there is, in addition, a third purpose for which loans may sometimes be taken. This is repayment of old debts.

The agriculturist thus must borrow. But the question is, Wherefrom should he borrow? The terms on which he can obtain loans from the money-lender are such that once the cultivator is in his grip, it becomes impossible for him to free himself. On the other hand, cheap and facile credit is not without its drawbacks. It often leads to reckless and improvident borrowing. It is, therefore, necessary to devise some means by which the benefits of easy credit may be secured without its disadvantages.

The solution is found in co-operative credit. Institutions of this character perform, in the words of Horace Plunkett, "the apparent miracle of giving solvency to a community consisting almost entirely of insolvents."

Co-operation may be considered from several points of view. In this paper I shall confine myself to its financial aspect. The co-operative movement has made substantial progress since its inauguration nearly a quarter of a century ago. The number of

members has largely increased, and there has been a steady improvement in the financial position of co-operative organisations taken as a whole. In fact, capital has increased faster than membership. In 1925-26, the latest year for which complete returns are available, the working capital of the entire co-operative movement for the whole of India was  $57\frac{3}{5}$  crores of rupees. The largest share of this total amounting to  $11\frac{1}{2}$  crores, belonged to Madras. The Punjab stood second, with a little over  $9\frac{1}{4}$  crores. Bombay was a good third, with  $8\frac{1}{2}$  crores. Bengal occupied the fourth place, the amount of her capital being somewhat less than  $7\frac{1}{2}$  crores.

The different categories into which the working capital of co-operative organisations was divided, were, in 1925-26, as follows: Share capital,  $7\frac{4}{5}$  crores of rupees; loans and deposits from members, slightly less than  $3\frac{9}{10}$  crores; loans and deposits from societies, 2 crores; loans and deposits from Provincial and Central Banks,  $19\frac{1}{2}$  crores; loans and deposits from the Government,  $1\frac{2}{5}$  crores; loans and deposits from non-members, and other sources,  $18\frac{1}{2}$  crores; reserve and other funds,  $5\frac{1}{2}$  crores.

Each of these categories deserves notice. The figures given above show that the aggregate share capital of the co-operative organisations is small, compared with the volume of their operations. The amount of their reserve is even smaller. The owned capital of these institutions being inadequate for their work, they are compelled to depend very largely on borrowed funds. In other words, the co-operative movement, the object of which is to furnish credit, is itself maintained by credit. It is also worthy of note that loans and deposits from members represent only a small proportion, that is to say, less than 7 per cent. of the aggregate working capital. On the other hand, the loans from non-members and other sources are quite large. The contribution of the government, though inconsiderable in amount, is of great moral value, inasmuch as it inspires public confidence in the stability of these institutions. A very important position is occupied in the co-operative movement by the Central and Pro-

vincial Banks which contribute more than one-third of the funds needed to finance it.

A few words may be said about the financial operations of the different classes of institutions which constitute the co-operative credit movement. The primary agricultural societies claim our attention first, in view not only of their number, but also of their importance in the economic life of the community. Their aggregate working capital in the year 1925-26 amounted to a little less than 23 crores of rupees. This was derived from the following sources: Share capital,  $2\frac{3}{4}$  crores; loans and deposits from members,  $1\frac{1}{2}$  crores; loans and deposits from non members, 95 lakhs; loans and deposits from societies, 15 lakhs; loans and deposits from the government, 32 lakhs; loans and deposits from Provincial or Central Banks, 14 crores; reserve fund,  $3\frac{1}{2}$  crores. An analysis of the statistics of co-operation shows that members' shares represent about 10 per cent. of the working capital of primary agricultural societies. It should be borne in mind in this connection that many agricultural societies have no share capital at all. The usual rate of interest on borrowings varied during the year 1925-26 from  $7\frac{1}{2}$  to  $12\frac{1}{2}$  per cent.; that on lendings ranged from  $9\frac{3}{4}$  per cent. to 15 per cent. The total profit during the year amounted to 83 lakhs of rupees. The usual dividend paid on shares varied generally from  $6\frac{1}{4}$  to 10 per cent.; but in one province, namely, the Central Provinces and Berar, it was as high as 12 per cent.

The activities of primary non-agricultural societies are smaller in volume. In 1925-26, their total working capital amounted to 8 crores and 85 lakhs. Of this sum,  $2\frac{1}{2}$  crores was the share capital, 55 lakhs was the reserve fund, and the remainder was derived from deposits and loans. It is worthy of note that the share capital bore a much higher proportion to the total capital of non-agricultural societies than it did of agricultural societies. The usual rate of interest on borrowings ranged from 6 to  $12\frac{1}{2}$  per cent., and that on lendings from 6 to  $15\frac{1}{2}$  per cent. The total profit during the year amounted to nearly 36 lakhs. The usual

dividend paid per share varied from 4 to 10 per cent. In a few cases, it was as high as 16 per cent.

The financing agencies of co-operative societies are the Central and Provincial Banks. The main function of a Central Bank is two-fold, namely, (1) the balancing of funds of primary societies, and (2) the supply of capital. In 1925-26, the number of Central Banks in India (including the Indian States) was 558. Their total working capital was  $19\frac{1}{2}$  crores of rupees. This was derived from the following sources: Share capital, 2 crores and 12 lakhs; loans and deposits from societies,  $1\frac{1}{2}$  crores; loans and deposits from Provincial and Central Banks, 2 crores and 85 lakhs; loans and deposits from the government, 53 lakhs; loans and deposits from individuals and other sources,  $11\frac{1}{2}$  crores; reserve and other funds, 95 lakhs.

The usual rate on borrowings was lower than that of primary societies, ranging as it did from 2 to  $7\frac{1}{2}$  per cent. (in a few cases to 9 per cent.). The lending rate was also lower, ranging from 6 to 12 per cent. It is well-known that the profit of a bank arises from the difference between its borrowing and lending rates. During the year 1925-1926, the total profit of the Central Banks amounted to  $37\frac{1}{2}$  lakhs. The usual rates of dividend paid by Central Banks were higher than those paid by primary societies. These varied from 5 to 12 per cent.

In order to co-ordinate the operations of Central Banks, an apex financing institution is needed in every province. In the absence of a Provincial Bank, the work of the Central Banks can hardly be performed with efficiency and economy. As the Mac-lagan Committee on Co-operation pointed out some years ago, uncontrolled interlending among Central Banks involves an interlocking of liabilities which may sometimes lead to trouble. Moreover, in some parts of the country, the Central Banks find it difficult unaided to secure locally funds sufficient to meet their needs. Such funds can best be provided by a banking institution situated in the capital of the province which is able to attract deposits from the richer classes and which is better fitted to serve

as a channel of communication between the co-operative movement and the Imperial and Joint-Stock Banks.<sup>1</sup>

The main object of a Provincial Bank is thus the direction of the financial system of co-operation in a province with the aid of the Central Banks. Each of the provinces of India, except the United Provinces, has now a Provincial Bank, and there is a similar institution in the Mysore State. The total working capital of the Provincial Banks, at the end of the year 1925-26, was 64 crores, which was divided as follows: Share capital, 44½ lakhs; loans and deposits from societies, 41½ lakhs; loans and deposits from Provincial Banks, 1½ crores; loans and deposits from the government, 5½ lakhs; loans and deposits from individuals and other sources, 3½ crores; reserve and other funds, 26½ lakhs. The average rate of interest on borrowings as well as lendings was lower than that of the Central Banks, although the ranges were quite as long. The total profit amounted to 5 lakhs and 81 thousand rupees. The usual dividend paid on each share varied from 6 to 9 per cent.

It is evident from the figures given above that the development of the financial side of the co-operative movement has so far been fairly satisfactory. But the rate of progress has been exceedingly slow. The population of the country is so large that the movement may be said to have only touched the fringe of the problem. In order that an appreciable impression may be made on the economic life of rural India, funds must be forthcoming on a much larger scale. The existing resources are wholly insufficient for the purpose of a substantial extension of the movement. Besides, there are certain defects in its financial system, the most serious of which is an absence of elasticity. The difficulty of providing adequate fluid resources is great. The margin between lendings and borrowings is so small that, if a Provincial or a Central Bank keeps in hand a large amount of cash, it involves itself in loss. In some of the provinces, the co-operative banks

<sup>1</sup> Report of the Committee on Co-operation, p. 65



obtain considerable assistance from the Imperial and Joint-Stock Banks. Such assistance generally takes the shape of cash credits granted to a Provincial Bank on the security of pro-notes of societies, fortified, in some cases, by the personal guarantee of men of means. This system, however, does not prevail in all the provinces. The difficulty was felt keenly in Bengal where the Provincial Co-operative Bank did not for a long time succeed in establishing business relations with either the Imperial Bank or the Joint-Stock Banks on lines described above. But, quite recently, an arrangement has been made with the Imperial Bank of India for the grant of cash credit advances by the local branches of the Imperial Bank to selected Co-operative Central Banks and Urban Banks on certain terms. This is a move in the right direction, and we anxiously await a full development of the system in the near future. Another defect of the present system is that during some months of the year the co-operative organisations have in their hands large surpluses which they are unable to utilise for any good purpose. If a close contact could be established between co-operative and commercial banks, considerable benefit might accrue to both agriculture and trade.

This particular phase of co-operative finance was discussed at some length by the Maclagan Committee, who in their report expressed the view that, while the help of commercial banks was a most useful adjunct to the resources of the co-operative banker, it would be unsound and dangerous to place too much reliance on such assistance. They thought that it might be possible for some arrangement being made with the Presidency Banks under which they would undertake the duty of re-discounting agricultural paper for the Provincial Co-operative Banks. Failing this, the Committee suggested the establishment of a State Co-operative apex bank. Although they recognised that the carrying out of such a proposal was not free from difficulty, they urged its adoption because, in their opinion, the foundation of such a bank, apart from providing the requisite financial stability, was likely to prove helpful to co-operation in other ways.

As the Reserve Bank Bill is now before the Legislature, the present moment seems to be opportune for taking up the subject. I may mention in this connection that there are two provisions in the original Reserve Bank Bill which relate to the question of financing agricultural operations. They are Sec. 14, clause 2(b) and Sec. 14, clause 4(e). The former provides for the purchase, sale, and re-discounting of bills of exchange and promissory notes for the purpose of financing seasonal agricultural operations maturing within six months. The latter provides for making loans and advances for fixed periods not exceeding ninety days against the security of promissory notes of any scheduled bank supported by documents giving title to goods which have been transferred, assigned, or hypothecated to the Bank as security for cash credit granted for the financing of seasonal agricultural operations. The first-mentioned provision will no doubt be of considerable use to the co-operative banker. But the six months' limit is likely to operate as a handicap. The seasonal agricultural operations often go beyond six months. Besides, a failure of the monsoons may lead to a scarcity or a famine. In such circumstances, it will be impossible for the cultivator to repay the loan within the fixed period.<sup>2</sup> The difficulty may be obviated by the addition of a clause providing that the maximum period of repayment may be extended to one year in the case of a co-operative bank in the special circumstances of agricultural operations. I may mention in this connection that the Federal Reserve Board of the United States re-discounts agricultural paper for periods of nine months.

<sup>2</sup> This difficulty has been felt in other countries. In regard to the United States, Mr. Merton L. Corey, formerly legal counsel for the Federal Land Bank of Omaha, writes: "This experience of 1920 which brought widespread disaster to all agricultural sections taught us that the six months' credit available to agriculture is not entirely sufficient for agricultural needs, because it takes one year for the planting, harvesting and marketing of farm crops, and as long as three years for the breeding, fattening and marketing of live stock. Ruin followed the call for liquidation of farm paper upon a six months' basis." *American Co-operation*, 1925, Vol. I, p. 404. The problem was solved by the passing of the Agricultural Credits Act of 1923, which provided credit "which synchronised with the period necessary for the farmer to realise upon his farm operations."

The second provision, as at present drafted, will not be available to co-operative banks, for advances are made by them on personal security, and not on the security of documents giving title to goods. Besides, co-operative banks are not included in the first schedule to the Bill. As a matter of fact, under Sec. 41 of the Bill, no bank can come under the schedule which is not able to deposit in the Reserve Bank without interest a sum equal to  $7\frac{1}{2}$  per cent. of its demand liability and  $2\frac{1}{2}$  per cent. of its time liability. This condition is exceedingly difficult for co-operative banks to fulfil. They generally work on a low margin of profit. In order that they may be able to leave considerable sums of money idle, it will be necessary for them to raise the rate of interest on the loans granted by them. This will mean not only an addition to the burden of the cultivator, but will prove a hindrance to the growth of the co-operative movement. It would seem, therefore, desirable to insert in the Reserve Bank Bill a provision exempting the co-operative banks from the liability of keeping a deposit. Further, Sec. 14, cl. 4, subclause (e) should be so amended that advances may be made by the Reserve Bank against pro-notes or bonds of the Co-operative Provincial or Central Banks, supplemented, if necessary, by pledges of produce. It would also be very helpful to the movement if debentures issued by land mortgage and co-operative banks be added to the list of securities which the Reserve Bank may negotiate. Lastly, assistance may be afforded to co-operation by arranging for call deposits at low rates of interest.

I desire to point out in this connection that the Federal Reserve Board of America always favours a policy of orderly marketing of farm products, and the facilities of Federal Reserve Banks are placed effectively at the service of the co-operative marketing associations.<sup>3</sup> Besides, these Banks mobilize the credit

<sup>3</sup> C. L. Benner : *Federal Intermediate Credit System*, Ch. 1. The author of the book gives the following among other instances : "The Board went so far in its desire to see that adequate credit was established for the marketing of agricultural products that on September 3, 1915, it established a special

resources of the country so that they are made more available to agriculture.

One of the main drawbacks of the existing system of co-operative finance is the inadequate provision so far made for long-term credit. The necessity for such credit is already great, and is likely to be greater in future. If agriculture is to be a profitable industry, the results of science and education must be applied to it. For this purpose, loans ought to be made available to cultivators for fairly long periods, extending, say, from two to seven years. Another purpose for which cultivators in India require credit is the liquidation of old debts. It is a well-known fact that agriculturists are, as a rule, heavily involved in debt. So long as these loads are not lifted from their shoulders, they will continue to drag their dull and dreary existence, without hope and without energy. Once they are able to extricate themselves from their bondage to the money-lenders, they will breathe the air of freedom, and will apply themselves wholeheartedly to their work. It will be then, and not till then, that co-operation will attain its full measure of success. The credit granted for such purposes must be for sufficiently long periods which may extend to fifty years.<sup>4</sup>

The existing resources of the co-operative organisations are insufficient for the granting of long-term credit on an extensive scale. Nor is the nature of the funds at their disposal such as to allow of investment for long periods. Special institutions, known as Land Mortgage Banks, have quite recently been established in Burma, Madras, and the Punjab. In Bombay, it is proposed, as an experimental measure, to start a long-term credit department in connection with the Provincial Co-operative Bank. A small beginning has been made in this direction in one of the districts of

commodity rate of 3 per cent., on notes secured by non-perishable, readily marketable staples properly stored in warehouses," p. 38.

<sup>4</sup> In Denmark, the maximum length of a long-term loan granted by a land-credit society is ninety-eight years. It may be re-paid in less time by making a readjustment. *Vide M. Campbell, Rural Life at the Cross-roads*, p. 100.

Bengal. But a central institution is needed to co-ordinate the activities of these organisations and to attract large investments. It is worthy of consideration whether a department of the proposed Reserve Bank may not deal with this matter. There are, it must be admitted, obvious objections to the proposal. If it be found impossible to overcome these objections, it will be necessary to establish a State-aided All-India Co-operative Bank.

A problem of a similar character received attention in Ireland a short while ago, where the Banking Commission of 1926 recommended the establishment of a central institution, to be called the "Agricultural Credit Corporation," whose duty it will be to obtain from the public the funds needed for agriculture and to lend them to agriculturists. The basic principles of this institution are suggested to be the following: First, the institution should lend to co-operative credit societies the amounts they need for the purpose of their operations; secondly, all co-operative organisations should be required to deposit the major portion of their funds with the Agricultural Credit Corporation. It is to act as a clearing-house for all co-operative credit societies. The capital is to be offered for public subscription; but it is suggested that any portion not taken by the public should be divided between the Government and the Banks.

The establishment of a similar institution in India is likely to prove a great boon to the people. When such an institution is established, the Provincial Co-operative Banks and the Land Mortgage Banks may be affiliated to the all-India institution. Such a plan will give completeness to the co-operative credit edifice, and place it on a firm financial footing. It will command large resources, and be able to balance the funds of co-operative organisations throughout the country, the surplus of one province being utilised to make good the deficiency of another.<sup>5</sup>

<sup>5</sup> This question was discussed at the First All-India Provincial Co-operative Banks' Conference held in 1926, when the following resolution was passed: "In view of the importance and the complex nature of the question of the All-India State Bank, the Conference resolves that the matter be referred to the proposed Association of Provincial Banks for fuller consideration."

\* The international aspect of co-operation should not be lost sight of. At the Conference on International Co-operative Banking which met at Stockholm in August, 1927, the following resolution was passed: "The Conference further recommends that if the co-operative banks are placed on a uniform basis, this will facilitate the creation of an International Co-operative Bank." Both economic and political considerations stand in the way of the establishment of such an institution at the present moment, but it is an ideal which ought surely to be kept in view.

Co-operation is the real solution of many of the economic problems of India. But it is unfortunate that the financial aspect of the question has not so far attracted the attention which its importance demands. Time has now come when we must all combine and devise methods by which the entire movement may be placed on a sound basis so that the people may derive from it the maximum benefit it is capable of yielding. If the principles of co-operation are carried out on right lines and in the proper spirit, the movement will bring wealth, health and happiness where poverty, disease and squalor prevail at present.

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# SOME ASPECTS OF RURAL RECONSTRUCTION IN INDIA

BY

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AND

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It is well-known that India is a land of villages and her economics today are mainly those of a rural country. The soul of India lies, therefore, in its seven lacs of villages scattered all over the country accounting for nearly 90% of the total population, the bulk of which consists of peasant proprietors, small farmers and, to a smaller extent, of landlords, landless labourers and country artisans dependent directly or indirectly on agriculture for their means of livelihood. It is obvious, therefore, that the moral and material welfare of India's rural masses is a question of vast national importance. This predominant position of the rural aspect of our national life is not likely to be appreciably affected even if the movement towards intensive industrialisation gathers strength in the near future. In any case, the national importance of a progressive, contented, happy and sturdy rural population cannot be exaggerated and has been universally recognised. While we welcome a speedy and all-round development of the economic resources of India so as to result in a much-needed and substantial increase of the national dividend and while we are alive to the necessity of hastening the pace of industrial

and urban development on healthy lines, a systematic policy of intensive rural development is urgently called for to remedy the various social, economic and administrative ills from which rural India is suffering today. Depressing pictures of rural misery and stagnation in India have been penned by H. H. the Aga Khan and others whose account has been largely confirmed by several official documents and Committees of Inquiries. It is a universally accepted commonplace that the vast majority of the rural masses are in a condition of abject poverty, helplessness and despair. A low and precarious standard of living, an inadequate and un-nutritious dietary, meagre and rough clothing, insanitary housing, prevalence of disease, dirt and squalor and above all ignorance and illiteracy are the characteristic features of life in rural India and the position has been made much worse in recent times by the growth of village factions, litigation, and drunkenness.

The causes of this deplorable state of affairs are not far to seek. In the first place, the solidarity and organisation of the old self-contained and stable village community in India have been considerably weakened by various factors such as administrative centralisation, the economic revolution caused by the rapid construction of railways and the subtle influence of Western individualism and ideals. The disruption of the village community has led to the isolation of the individual farmer and artisan and has left him without any other defensive organisation. The freakish character of the monsoon, the fractionalisation of holdings, and the loss of rural industries have weakened the economic position of the small village folk, while their ignorance and illiteracy have prevented them from taking a businesslike view of their occupation and standard of domestic expenditure and have helped their exploitation by other classes. The opening up of national and world markets and the consequent commercialisation of agriculture have not enabled the average farmer fully to reap the advantage of the change. The profits due to the world-wide demand for his products, instead of finding their way into the hands of the village producer, have principally served to fill the



pockets of the money-lender, the lawyer, the trader and other urban classes who have fully availed themselves of their new opportunities to exploit the ignorant, isolated, needy and generally unbusiness-like farmer. As Mr. Darling observes in his excellent study entitled "The Punjab Peasant in Prosperity and Debt," "the money-lender tempted him to borrow, the lawyer to quarrel and the trader to waste." It is not a matter for surprise, therefore, that there has been of late an ominous increase in rural indebtedness and that land has passed on a large scale from the hands of the peasant to those of the non-agriculturist money-lender.

The loss of supplementary industries, largely due to their being suddenly exposed to the full blast of foreign competition has made village society solely dependent upon land. The unrestricted export of oilseeds, oilcakes and other manurial substances has acted to the detriment of the only industry of the country, *viz.*, agriculture. The modern amenities of life such as education, sanitation, communications, etc., have been largely monopolised by the towns in spite of the fact that the money for the provision of these facilities has been drawn mostly from the rural side. The wider opportunities offered by the towns have induced an exodus from the village to the town of its best intelligence and enterprise, leaving a blank in the village which it is not easy to fill. Lastly, the educated people of the towns and absentee landlords have not hitherto cared much to study rural problems and to understand and meet rural needs. Their knowledge, resources and enterprise have not been made available for the revival of village prosperity. The result is that the village today presents a gloomy and unattractive picture of people divided by factions and petty jealousies trying to eke out a miserable pittance from the land, with hardly any subsidiary industries and unable to resist the first shock of a serious famine. This is particularly true of the dry villages, the wet villages being in a somewhat better situation.

There is, however, a silver lining to the cloud hanging over the village. The extension of irrigation facilities, limited as they are, has put heart into the fortunate peasant who has come under

its beneficial influence. The Co-operative movement, while it has not proved a panacea for all economic and social ills and has touched barely the fringe of the rural problems bids fair, if pushed vigorously, to infuse new moral and economic strength into the rural population. Government are becoming increasingly alive to their responsibility for the welfare of the rural masses and are trying to tackle the problem of rural stagnation, though their efforts are often haphazard, unco-ordinated and inadequate. The Reforms have widened the rural franchise and have placed a lever in the hands of the rural voter for getting ameliorative rural legislative policies initiated and carried out, though his ignorance and the absence of a peasants' party organisation prevent him today from making his voice effectively heard in the councils of the nation. The Village Panchayats are being revived in the villages, though in this as in other cases, it is not easy to pour new wine into old bottles without cracking them. Education, though still largely the monopoly of the urban population is showing signs of spreading to the villages. There has also been a general mass awakening due to forces liberated by the Great War. Lastly, the desire for a higher standard of living, though as yet not very intense, is creating that spirit of 'divine' discontent which in the West has proved a powerful stimulus to vigorous effort.

There is, however, a considerable leeway to make up and the good work that has already been commenced must be pushed forward—not in a nibbling, piece-meal and niggardly fashion as today—but much more vigorously, steadily, and comprehensively.

We may observe here before proceeding further that similar conditions of rural stagnation at one time prevailed in European countries. The neglect of rural interests and unhealthy concentration on town economics was one of the legacies of the Industrial Revolution in the West. In the pre-War period the position of the small farmer in Europe was generally one of great weakness due to the loss of common grazing rights, decline in the communal life of the villages, complete individualisation of property and

pulverisation of land. The War, however, has brought the peasant into the foreground and the recent agrarian history of Europe clearly shows that the peasant is coming into his own and is not going to be ignored in the political, social and economic arrangements of the nations. In most countries of small peasants in Europe—especially in Denmark—conscious efforts on a national scale are being successfully made to improve the lot of the peasant and even industrial England has been affected by the contagious enthusiasm of the new agrarian movement.

Attention is being focused today in India on the need of rural development and we may be permitted to hope that the work of the Royal Commission on Agriculture may lead to the formulation of a serious and well-thought-out national programme of rural regeneration. Several provinces have already addressed themselves to the task of rural reconstruction in one way or another. Even non-official agencies are interesting themselves in the matter. The Viswa Bharati of Rabindranath Tagore has undertaken the work of rural reconstruction in some villages in Bengal. The rural development of the Punjab is well-known with its Board of Economic Inquiry, Co-operative Societies for consolidation of holdings, arbitration and compulsory education. The Madras Presidency proposes to establish a special Rural Development Fund for the supply of the principal wants of rural areas. In Bombay, the Government propose to revive spare-time occupations for the agriculturists and the report of the Committee appointed by them has already been published, while the Bombay Central Co-operative Institute proposes to take up rural reconstruction work in some villages shortly. Enlightened Indian States like Baroda and Mysore are giving a trial to several promising rural schemes and contemplate their extension.

The moment is, therefore, opportune for undertaking rural reconstruction work on a national scale and the enthusiasm that has been created ought to be pressed into the service of India by a suitable organisation and agency for rural work. The value of

a proper organisation cannot be exaggerated particularly in a country like India, where the average citizen is too weak and resourceless to do much by himself. So long as the Indian farmer was practising subsistence husbandry and enjoying the protection of the old village organisation perhaps no further and special organisation was necessary in rural areas. But today conditions are altogether different. While the commercialisation of agriculture and the establishment of wide and competitive markets has made a different and stronger organisation necessary, even the old archaic organisation has been so weakened that it has ceased to be serviceable and the Rayat is left without any guidance or protection to face an altogether novel situation. The ideal of Better Farming, Better Business and Better Living is unattainable in the absence of well-directed and well-organised effort.

It is obviously impossible to discuss at length the various rural problems of India in this short paper. All that we can attempt is to indicate the following principal items of rural reconstruction: (I) Education, (II) Public Health, (III) Housing, (IV) Communications, (V) Agriculture, (VI) Supplementary Rural Industries, (VII) Rural Amenities, (VIII) Rural Surveys and Statistics and (IX) Rural Development Organisation.

(I) **Education.**—In any scheme of rural reconstruction the place of honour must be given to the education of the rural masses as a necessary condition of any reform. It is obvious that so long as ignorance and illiteracy prevail in our villages and barely 6% of the population are literate all talk about rural progress is futile. The absence of a suitable system of rural education can be shown to be largely responsible for many of the evils we deplore: it aggravates indebtedness, promotes improvidence and extravagance, impedes the progress of improved agriculture, and what is more serious than anything else, prevents that mass awakening which is quite essential for lasting reform. The present feeble and academic system of education in all its stages is too literary and urban in character to be of any use to the farmer and the artisan and it is little wonder, therefore, that they are unwilling to send

their children to the village school even when a village is lucky enough to possess one. The introduction of compulsory primary education in rural areas and a suitable reform of the educational system to meet rural needs are imperative at the present moment. There is no agricultural education worth the name today. What is required is not so much higher agricultural education in Colleges and Universities as mass education under a system under which general education with an agricultural bias in the primary stage is organically linked with vocational agricultural and industrial training in the secondary stage. The education imparted in the rural schools must be such as will promote interest in and love for agriculture and rural life in general, familiarise the farmer with practicable schemes of agricultural improvement, and what is most important, enable him to take to one or two subsidiary industries. Nature study of plant and animal life, school gardens and farms, suitable text-books dealing with rural subjects, manual training, technical education with special reference to local subsidiary industries, physical training, boy scouts training and teaching of first-aid would be some of the main items in a scheme of rural education. The educational system so devised must be largely controlled by the farmer himself and must enlist the services of efficient teachers with a "Country-sense." Collegiate agricultural education together with higher agricultural research work must be continued. The agricultural graduates, however, should have a more thorough grounding in rural economics than they possess at present, as they would have to be drawn upon in future, not only for manning the agricultural service but also for directing the rural development work in general.

The education of the grown-up people must not also be ignored and night schools, continuation classes, libraries and reading rooms should be started, and field demonstrations, agricultural shows, ploughing matches and rural exhibitions should be frequently arranged. The cinema and the magic lantern would be highly useful and effective media of education and propaganda in rural areas not only in agricultural matters but also those connected with

public health and deserve, therefore, to be widely introduced in villages.

A well-devised system of rural education would make the people responsive to new ideas, make them more willing to put them into practice, would inspire confidence among them and make them more businesslike and turn them into better and more efficient citizens. The question of cost must be squarely and courageously faced by raising loans if necessary.

\* The experiments in agricultural education being tried in some of the newer states of Europe, merit close study by Indians. At the end of 1921 the small Republic of Czechoslovakia possessed 200 agricultural, gardening, fruit-growing, and forestry schools in addition to two agricultural academies, 16 agricultural secondary schools and a large number of popular two-year schools, winter-school, etc. Besides this, the country has also a popular training system extending even to the remotest villages. Agricultural education moreover, is furthered by numerous agricultural papers, district and national exhibitions, by lectures, cinema films, etc. Czechoslovakia is by no means a wealthy country but is straining every nerve and sinew to achieve her economic salvation. What is missing in this country is the restless enthusiasm and the preparedness to make experiments even at the risk of repeated disappointments without which rapid progress is impossible. Government in this country have done something for agricultural development but they can do much more. Nor has the educated community yet learnt to appreciate the vital importance of agriculture in India. For example, most of the Indian Universities have hitherto neglected the study of agricultural economics. This is possibly due inter alia, to our political connection with England, which is predominantly an industrial country and our want

\* We are indebted for this information to the late Professor G. S. Bhaté of Patna, who in the course of an extensive tour in Central and Eastern Europe had collected a mass of valuable information bearing on agricultural and rural life in general which he had intended to publish in the form of a book. His untimely death is a great and irreparable loss to the cause of research in rural economics.

of touch with the progressive agricultural countries in Europe like Holland, Denmark, etc. This may be partially remedied if every university has a special department for translating foreign works on agriculture into English and the vernaculars.

(II) **Public health.**—Although it is true that the villages are less unhealthy than the crowded towns, village sanitation is by no means perfect and the problem of public health is as much a rural as an urban problem. Many of the villages are ravaged by major diseases like malaria, plague, cholera, dysentery, tuberculosis, Kala Azar, hook-worm and minor diseases like skin disease, leprosy, etc. Disease leads to impoverishment, physical deterioration and mental depression and thus lowers economic efficiency. A campaign of public health and self-hygiene must be opened on a large scale with a view to overcome public prejudice, ignorance and apathy in respect of the laws of health and create a 'public health conscience' as the Public Health Commissioner with the Government of India puts it. Health Publicity Bureaus, Baby-weeks, Red-cross work, Child-welfare, Maternity Leagues, Anti-Malarial Societies and Co-operative Dispensaries must all be pressed into the service of village health. Drainage of irrigated tracts and marshy swamps, supply of potable water, village conservancy and improved housing are all necessary for the improvement of rural health. The existing superfluity of doctors in towns and their paucity in villages and the consequent meagre medical facilities in rural areas have been sought to be overcome in Bombay by the establishment of the Village Aid Scheme, under which in certain districts of the Presidency primary school teachers undergo a short course of medical training at the District Civil Hospital and then return to their villages with medicine chests. They treat simple cases, render first-aid and send the more serious cases to a neighbouring dispensary. The Surgeon General, Bombay, reports that the scheme has met with an encouraging response and has brought relief to a large number of suffering people. The scheme, therefore, deserves further encouragement,

(III) **Housing.**—Closely connected with rural sanitation is the problem of providing sanitary and decent dwellings in the villages. Now our village houses are often flimsy structures of mud, with a thatched roof and a single door and hardly any windows. Moreover, human beings and animals often share the same room. A supreme effort must be made to dismantle the village 'slums' and to supply the country-folk with decent and clean dwellings. England has built a million new houses since the Armistice by combined Government, private and co-operative enterprise and though such a feat is not possible for a poor country like India she can yet do something towards solving the problem. Rural Co-operative Housing Societies financed and otherwise helped by Government would make an excellent beginning. Mr. E. M. Gilbert Lodge, F.S.I., F.I.A., etc., who recently published a detailed village housing scheme in the "Times of India" maintains that every village in the Bombay Presidency can be made a model village and estimates that a new dwelling 16' square would cost about Rs. 850 to 900. If, therefore, Government advance a loan at say 4 per cent. and accept repayment of their loan over thirty years the annual charge per house would be Rs. 44. Now, if the Government advance a 50 per cent. subsidy raised by a 10 per cent. levy on the Land Revenue it would be possible even for the poorest agricultural labourer to meet an annual demand of Rs. 22. "As there is in each family an average of three adult workers, it would mean that each would pay about Rs. 7 per annum or about nine annas a month." Whether this ingenious scheme is workable or not, at any rate it points the way to the solution of this colossal problem of village housing. In addition to granting loans directly the state may also help by guaranteeing the interest and redemption of loans made by special financial institutions started for the purpose. In any such scheme, it need scarcely be added, that the cattle must be separated from the men and must be housed in cattle sheds erected for the purpose. The appearance of the dwelling would be considerably improved by a small vegetable or flower garden round the house, though it is



obvious that such a combination would be more feasible in the case of farm houses. A special agency for planning and carrying out village housing schemes would be necessary.

(IV) **Communications.**—The revolution in transport in India since the time of Lord Dalhousie has been directed mainly to the supply of urban needs with special reference to military requirements and the movement of the staples of export and import trade, with the result that the needs of internal trade in rural areas have been neglected and our villages are still largely denied the blessings of civilised life in respect of convenient roads and other means of communications. They are inadequately served by the existing roads and railways and several villages still remain isolated and inaccessible owing to the absence of suitable roads and bridges and find it difficult to exchange their products with the outside world cheaply and expeditiously. Good roads will help not only the slow-moving country cart—which cannot yet be dispensed with—but also the motor truck which has penetrated to many parts of India and bids fair to revolutionise the conveyance of passengers and goods in rural areas. Cheap and easy transit may also be provided by the construction of light railways which have not received the attention they deserve in the annual Railway Programme so far. The recently started Provincial Road Boards in provinces like Bombay and the Central Road Committee, which is sitting at present, ought to tackle this problem and suggest ways and means, such as a small tax on petrol, for the construction and maintenance of roads in rural areas.

The prospects of inland navigation are not very bright except on the river and the canal system in Eastern Bengal, Burma, Sind and parts of Madras as Sir Visvesvaraya points out. The complaint about the alleged manipulation of railway rates to the detriment of inland navigation needs to be properly investigated and measures adopted to remedy the evil if it is found to exist.

A larger number of Post Offices are also needed in rural areas to bring the villages more effectively into contact with the outside world. At present there are only 16,000 Post Offices in the vil-

lages, which means that a large majority of the villages have to do without the convenience of a post office. As Mr. Sams, Deputy Director General of Posts and Telegraphs points out there is a close connection between literacy and the post office and they help each other. The establishment of a post office in a village promotes a desire for education among the people, while the presence of a school in the village facilitates the establishment of a post office under the care of the school-master. The establishment of more post offices would also make possible the extension of telegraph facilities in rural areas. The Postal Savings Banks would also promote thrift among the people and coupled with the small Post-Office Cash Certificates make investment of small rural savings possible. We would, however, suggest that the money so obtained ought to be made available for rural development, though funding arrangements will have to be made by the Government of India as the Post Office deposits constitute at present an unfunded debt. A minor advantage of the post office lies in its serving as an agency for the distribution of cheap quinine in villages. Wireless and broad-casting are still in their infancy in India even in large towns and their introduction in rural areas can hardly be regarded as a matter of practical village politics.

(V) **Agriculture.**—Agriculture is an industry of vast national importance to India as on it, three out of every four of the population depend for their livelihood. And yet a study of the present position of Indian agriculture must lead every one to endorse the words of Dr. Clouston, Agricultural Adviser to the Government of India, "In India we have our depressed classes; we have, too, our depressed industries and agriculture, unfortunately, is one of them." Judged by whatever standard: the size and the constitution of the holding, the implements used, the fertilisers employed, the system of rotation of crops, the quality of the seed used, the position with regard to irrigation facilities and other land improvements, marketing organisation, animal husbandry and subsidiary rural occupations, etc., our agriculture is in a hopelessly backward and stagnant condition. As Mr. Keatinge points out

land in India often owes little to the human hand. It is unfenced, undrained, unwatered and unembanked. The soil is rarely manured and well ploughed and pure seed is rarely used. The results of the adoption of methods of extensive cultivation which are inappropriate owing to the large size of the agricultural population and the prevalence of small holdings are under-production and low outturn per acre which at best is often only one-third or one-fourth of what is obtained in other lands and which dwindles to nothing during times of drought and famine. Rural credit in spite of the co-operative movement is still in a most unsatisfactory condition and the cultivator continues to be in the "grip of the Mahajan." The evil of indebtedness has assumed such alarming proportions that enlightened public opinion has grown out of patience with half-hearted tinkering remedies and clamours for drastic measures.

It is a commonplace remark that while by the force of circumstances agriculture has come to be almost the sole occupation of the people of this country it is the worst organized industry in India. Reform is most urgently needed in the following directions:

*Land.*—'The endless subdivision and fragmentation of land has been the greatest curse of the landowning Rayat in India,' and presents to-day one of the thorniest problems of agrarian policy. All writers on Rural Economics in India such as Mann, Keatinge, Calvert, Darling, Gilbert Slater, Mukerjee, etc., have established the fact beyond dispute that fractionalisation is one of the main causes of under-production and rural impoverishment in India. The evils of excessive subdivision and fragmentation are notorious, such as tremendous waste of labour, energy and capital, the impossibility of making permanent improvements and the difficulty of introducing improved methods of agriculture and stimulus to litigation. The uneconomic holdings resulting from excessive subdivision add to the financial difficulties and the indebtedness of the agriculturist who in the absence of any supplementary industries is often compelled to abandon his land to join the ranks of the rural or urban landless proletariat.

While all parties are agreed in admitting the evils of fractionalisation there is an endless dispute regarding the way out of the difficulty. The Punjab has given the lead to other provinces in the matter of co-operative consolidation of holdings and we would advocate the extension of this particular application of the co-operative principle to other provinces in the near future. It must, however, be borne in mind that the Punjab villages are more homogeneous than those elsewhere, that even in the Punjab there is no guarantee against future fractionalisation and that, as the Hon. Sir Chunilal Mehta points out, "The Punjab experience has shown the officers that only legislation would really solve the problem." The same conclusion has been forced upon the Central Provinces and Madras Governments who tried to effect consolidation of holdings on a voluntary basis in select villages. Mr. Keatinge assures us that the plan of voluntary action has failed even in the advanced countries of the West who have been compelled to introduce legislation to eradicate the pest of fractionalisation. The various Provincial Governments have hitherto fought shy of adopting this principle lest they should thereby offend the susceptibilities of the people. Baroda introduced permissive legislation a few years ago but as Sir Manubhai Mehta in his Presidential address before the last Bombay Provincial Co-operative Conference admitted, the Law has remained a dead letter on the statute book. It is easier, however, to find fault with what has been attempted than to suggest an acceptable scheme of legislative consolidation, the chief difficulties being the ignorance of the people and the Hindu and Mahomedan Laws of Inheritance and Succession and the customs associated with them. While we would advocate the full exploration of the possibilities of educative propaganda in favour of consolidation, especially on co-operative lines, we are convinced that some bold beginning ought to be made by the Provincial Governments on the lines of the comprehensive measure called the 'Bombay Small Holdings' Bill introduced very recently in the Bombay Legislative Council by the Hon. Sir Chunilal Mehta. The object of the Bombay bill

is to prevent further subdivision and fragmentation of holdings beyond a limit prescribed and to consolidate small fragmented holdings.\* We believe that without tampering fundamentally with the peoples' Laws of Succession considerable progress by legislation is possible. Legislation should be backed by a vigorous anti-fractionalisation propaganda and should provide for the joint enjoyment of income of land even when partition takes place, monetary compensation for the loss of holdings in those few cases where this would be necessary in effecting consolidation, the right of pre-emption, and restrictions on the alienation of land so as to facilitate its consolidation. It must not be imagined, however, that consolidation alone will achieve a miracle in rural

\* The bill is divided into two parts. Part I aims at preventing the further fragmentation of holdings. A district Committee consisting of the Collector (as the Chairman), the Deputy Director of Agriculture and three approved members selected by the District Local Board is to lay down for the district or parts of the district, according to local conditions, a standard unit being the minimum extent that can be cultivated profitably as a separate plot. All existing plots of land below the standard unit shall be declared as fragmented holdings. No such fragmented holding shall be sold, exchanged or mortgaged with possession, leased or otherwise transferred so as to cause further fragmentation. Such alienation of land must lead to consolidation. The right of pre-emption is recognised. No fragmented holding is to be leased to any person other than the occupant or the lessee of a contiguous plot. In the case of new fragmented holdings, which come into existence after the standard unit has been determined, all transfers of land must necessarily be in favour of neighbouring owners and lessees of land. The law of equal inheritance is not directly modified. It has, however, been laid down that while no one will be prevented from coming into possession of a new fragmented holding, no such holding shall be cultivated unless it is combined with contiguous plot or plots so that the total area so cultivated shall be equal to or exceed the standard unit.

Part II aims at consolidation of existing fragments for purposes of more profitable cultivation. It provides for the preparation of a scheme of consolidation, on the application of the collector, for any village or area provided not less than two-thirds of the holders of plots and not less than one-half of the owners of land affected consent to the making of the scheme. The scheme is to be administered through a special consolidation officer who will be helped by three representatives of the village concerned. He will consider all the rights affected and effect their valuation. All disputes regarding the apportionment of land will be settled finally by an arbitration tribunal consisting of the District Judge (president) and two assessors. The redistribution scheme shall provide for roads, tanks, rights of way, watercourses, etc. Certain Government concessions such as exemption from stamp and registration fees, grant of *takkavi*, remission of half the land assessment for a period of three years are offered for encouraging such consolidation schemes.

economy unaided by other supplementary measures such as provision for those who may be dispossessed of land as the result of consolidation enabling them to start life anew. Consolidation is only the basis of improved and intelligent husbandry and hence the cultivator of a consolidated holding must be helped in every way to equip himself properly to make his land yield the best results possible.

*Land Improvement.*—The permanent improvement of the land demands our attention next. Co-operative and joint schemes of land improvement by fencing, draining, and constructing embankments must be taken up to prevent damage to the crops and soil erosion. Such schemes are ordinarily beyond the means of the average farmer in India and special financial help in the shape of a liberal grant of *takkavi* loans and loans by Land Mortgage Banks is necessary.

*Irrigation.*—An assured supply of water is an urgent need of the farmer in many dry tracts of meagre and precarious rainfall in Sind, Bombay, C. P., Punjab, etc. Agriculture here must cease to be a gamble in the rains as far as possible. In Bombay, of the total cultivated area hardly 5% is irrigated from all sources—wells, tanks, and canals. The problem of irrigation must be tackled at several ends simultaneously. The village tanks must be repaired and extended where they are assured of supply of water. More canals must be constructed though they may not be directly remunerative and though care will have to be taken to prevent salt-effervescence and water-logging of land in canal areas by a proper system of drainage. Tanks and canals alone, however, cannot be made to meet fully the needs of the farmer in many tracts as they have their obvious physical and financial limitations and the tapping of the underground supply of water—wherever possible—on farms and in river and nalla beds will have to be largely relied upon. Tube wells and small power pumps must be introduced on a larger scale than has been attempted hitherto. Some form of irrigation can be the only satisfactory insurance against the vicissitudes of the seasons. Where irrigation facilities cannot

be provided extension of the methods of dry cultivation and afforestation may ease the situation somewhat.

*Land Revenue policy.*—In the first instance, we advocate the settlement of the endless controversy regarding the question whether land revenue is a tax or rent and whether land belongs to the state or the individual by a bold Governmental declaration that land is the private property of the Rayat, for we hold that while such a declaration will reassure the cultivator it need, in no way handicap the Government in regard to the taxation of land incomes. Another reform in the Land Revenue system as suggested by the Taxation Inquiry Committee would be to take, say 25% of the annual value of the land as the share of the Government. Furthermore, as recommended by the Joint Parliamentary Committee, the whole Land Revenue system must be placed on a statutory basis. We would go further, and advocate that all proposals for the revision of old settlements should be approved of by a committee of the Legislature in general terms as recommended by a recent Bombay Committee on Land Revenue matters. We also think it would be desirable if with the settlement officer is associated a local representative committee of cultivators to help and advise him in his work of resettlement. Similarly, the rules regarding remission and suspension of land revenue and the dates of its payment need to be made more elastic and should come into operation more promptly and liberally than is generally the case. Lastly, we believe that even in Rayatwari tracts, some sort of tenancy legislation is necessary.

*Methods of Cultivation.*—We have already said above that the Indian agriculturist follows methods of extensive cultivation which are unsuitable in view of the smallness of the average holding and the yield, therefore, is smaller than it need be. Contrasting Indian conditions with those in Japan in this respect, Sir M. Visvesvaraya writes "Japan although not entirely self-sufficing in the matter of food, maintains normally a population of 56 millions on a cultivated area of 17 millions, or on one-third of an acre per head as against India's five-sixths of an acre." The

obvious explanation is, that while the average produce of British India on the normal pre-war basis cannot be more than Rs. 25 per acre, in Japan it cannot be less than Rs. 150. Agriculture is carried on in Japan and China very intensively and thoroughly, almost like gardening. The moral from this is obvious: the salvation of the Indian peasant lies in the adoption of intensive methods of farming. It is not as if the Indian agriculturist is devoid of the qualities required for this purpose. He possesses hereditary skill, he has strong attachment for his land and he does not lack readiness of response if properly approached and educated. He is, however, at present under-equipped, uneducated, and unorganised and there is little wonder, therefore, that he still largely follows conservative methods of tillage. In recent years, the cultivator lured by the prospect of immediate gain, has not always followed any proper plan of rotation of crops. The growth of population and especially the commercialisation of agriculture have led to an unhealthy and in the long run unprofitable concentration on certain crops like cotton and wheat. Groundnut, as a second *rabi* crop figures much less than it ought to in the usual rotation adopted, although it is profitable to raise it.

The value of pure seed of good quality is great but one rarely finds the farmer careful enough about the selection of his seeds and even where he realises the necessity of good seed he fails to get it. Seed societies and seed farms that exist are too few, they must be multiplied many times so as to ensure an adequate supply of seed of high quality to the farmers everywhere.

*Implements.*—The Indian agriculturist still largely uses his old and simple implements which, though cheap, easy to repair and effective to a degree, are not suited to scientific and improved farming for the market. Improved iron ploughs, sugarcane crushers and small pumping machinery have been introduced here and there but much yet remains to be done in this direction. While we hold that the American methods based on an extensive use of agricultural machinery are ill-suited to a poor country of small holders like India co-operative and joint farming would



make possible the employment of machinery to some extent. There is also a large scope for the improvement of agricultural implements worked by hand power and cattle and it is important that these implements and agricultural machinery should be manufactured in the country itself—an ideal which we do not consider as impossible of attainment. The use of improved implements can be promoted further if the Agricultural Departments, Agricultural Associations and Co-operative Societies all combine and co-ordinate their activities.

*Manure.*—The proper application of manure and fertilisers in an old country like India with a large population to feed is of vital national importance. Whether the deterioration and exhaustion of soils in India is a recent phenomenon or whether, as Dr. Clouston contends, most of the Indian soils had reached their maximum state of impoverishment hundreds of years ago and that they will not get poorer even if cropped without manure for hundreds of years more, it is unanimously agreed that the application of manure will very considerably increase the net yield of the soil. The application of manure and fertilisers has been a vital factor in increasing the productive capacity of the soils in China, Japan and the Western countries and experiments in India also show that manure contributes about 50% of the increased yield which, with improved methods, can be often twice as much as the existing yield. The farmer especially in dry tracts rarely manures his soil either because he is ignorant—which is rarely the case—of the value of manure, or because he is handicapped by want of funds or irrigation facilities, or because manure is very scarce and difficult to get. The supply of farmyard manure—which is the manure commonly used in India,—can be increased by discouraging the use of cow-dung as fuel by the planting of fuel trees in the waste areas near villages or by establishing cheap fuel depots through the agency of forests and local bodies. The utilisation of chemical fertilisers is still in its infancy though in canal and other irrigated areas ammonium sulphate, bone-meal, fish manure, and oil-cakes are being used in increasing quantities showing, that

when conditions are favourable, the Indian agriculturist is quite alert and does not fail to take advantage of them. To secure increased use of some of these fertilisers, we would advocate a moderate export duty on the export of oil-seeds, oil-cakes, fish and bone manure and suggest, as recommended by the Fiscal Commission, that the proceeds of an export cess on these articles should be earmarked for encouraging the use of manures in India.

*Animal Husbandry.*—The great importance of an adequate and healthy live-stock to an agricultural and vegetarian country like India can be scarcely exaggerated and yet in this respect Indian conditions leave much to be desired. India is handicapped today by a very inadequate and inefficient live-stock. The April issue of 'Rural India' shows that while India has only 61 cattle per 100 of the population, Denmark has 74, U.S.A. 79, Canada 80, Australia 259, New Zealand 150, etc. There is consequently too great a pressure on plough cattle. Whereas, a pair of plough cattle can satisfactorily deal with not more than 5 acres of land, it is called upon to deal with an area ranging from 7 to 44 acres in the different provinces of India. The cattle can be largely improved both as regards quality and quantity by the adoption of such measures as scientific animal breeding particularly as a supplementary occupation, controlled slaughter of milch cattle and promising calves for meat, better veterinary facilities and an adequate supply of fodder. Particular attention must be paid to the last requisite and a more liberal forest administration in respects of grazing facilities and supply of fodder must be adopted. The Madras plan of entrusting the management of forests in the vicinity of villages to Forest Panchayats deserves to be given a fair trial too in other provinces where local conditions are favourable. Indeed, an organic link between rural needs and Forest Administration must be forged from which both agriculture and forestry are likely to benefit. It has been well said that forestry has an important vocation as the hand-maid to agriculture. While the preservation of forests is necessary for preventing soil erosion and for retention of moisture, the reasonable needs of the agricul-

tural population in respect of firewood to replace manure, small timber for houses, and wood for implements, grazing and fodder for cattle, etc., must be supplied by the Forest Department which is not always prepared to recognise this aspect of the problem.

*Rural Credit.*—For the improvement of his land and methods of cultivation and for the supply of his requisites the farmer requires adequate credit on moderate terms. The existing system of rural credit which is mainly supplied by the money-lender is defective in many ways and leads to the undue exploitation of the farmer and his impoverishment. While we have no desire to belittle, in any way, the great service rendered by Co-operative Credit, we would like to invite attention to the growing conviction in India that it has its very definite limitations. Co-operative credit cannot do much beyond the supply of short-term capital for current needs. It cannot tackle the problem of removing the load of rural indebtedness which is estimated by Darling at Rs. 600 crores for British India; nor can it finance land development schemes as both these needs require the supply of large amounts of long-term capital. It is now fully recognised that a state-aided scheme of Land Mortgage Banks on co-operative lines is necessary to raise adequate long-term capital on the basis of the collective mobilisation of the land-credit of the farmer. Punjab, Burma and Madras have already set the new scheme in motion and Bombay is about to start two such banks through the agency of the Provincial Co-operative Bank. The Bombay Government have promised to help the Bank by agreeing to purchase debentures to the extent of Rs. 5 lakhs, to guarantee 4% interest on the remainder and to lend free, for some time, the services of expert land valuation officers.

We may observe that without some such state help Land Mortgage Banks have little chance of attracting adequate long-term capital on reasonable terms. Thus Co-operative credit, Government *takkavi* and land mortgage banks must all be made to work together if any appreciable results are to be achieved.

*Marketing.*—Lastly the existing defective organisation of agri-

culture must be improved in the interest of the farmer. At present he is dependent upon the money-lender and a long chain of middlemen between himself and the consumer, particularly in the case of staples of export, and has thus to submit to unduly low prices for his products. The absence of any reserves and the need of cash payments of land revenue, rent, interest, etc., at harvest time compel him often to sell his whole produce when the market is glutted. Co-operative sale organisation seems to offer the best chance to the agriculturist for realising the full market price for his produce. Attention may be drawn to the promising success that has attended the co-operative sale of cotton in Bombay. Appropriate legislation such as that regulating the sale of cotton in Bombay and Berar intended to check various malpractices like adulteration, use of false weights and measures may be extended to other provinces and other crops. We need hardly emphasise the value of a suitable marketing organisation as it is obvious that the benefit which an agriculturist is expected to realise by the adoption of an improved system of agriculture is apt to be nullified in its absence.

Before passing on to the subject of rural industries we would like to lay special stress on the necessity of the co-operative organisation of agriculture at all its stages—credit, purchase, sale, insurance, fencing, etc., which has been adopted with signal success in Denmark. In its adoption, lies the only chance of the peasant to realise many of those economies and advantages which are otherwise available only to the large landholder.

(VI) **Rural Industries.**—We have already said above that the loss of supplementary industries constitutes a source of great weakness to the small holder who attempts the impossible feat of maintaining himself on his small holding without supplementary sources of income. Except in irrigated tracts, where he can grow two crops, the average farmer does not get employment on his farm all the year round on account of the seasonal nature of his agricultural operations. For between 150 to 200 days in the year, idleness is forced upon him. In the absence of rural industries he

looks upon the slack season as the time for rest, recreation, marriage and litigation. Occasionally he may accept temporary employment in a town factory or on Government public works or ply his cart for hire and in case of this last alternative he has to reckon with the increasing competition from the motor truck. None of these usual occupations is altogether satisfactory from the agriculturist's point of view. As Mr. Darling points out, the only way in which a small farmer can keep himself out of debt is by being frugal and industrious and by having a second string to his bow. This is the experience of the small holder all over the world. In Japan, the rearing of silk-worms is an important supplementary rural industry. France, Germany, Italy all have their own rural industries. Moreover, agriculture in the West is of a mixed and varied character and gives employment to the farmer without any interruption. Dairy-farming, pig-keeping and poultry-farming are the chief rural spare-time occupations. The experience of foreign countries clearly shows that it is quite essential to supply the small farmer with some spare-time occupations. Increasing attention must, therefore, be paid to ascertain, in each rural area, the subsidiary industries which the rural population can conveniently and profitably take up. The following rural industries may be mentioned:—hand-spinning and (some) weaving, dairy-farming, poultry-keeping, fruit-growing, market-gardening, seri-culture, lac-culture, tanning, mat-making, bamboo-work, pottery, toy-making, flower-making, wood-work, etc.

It is obvious that not all these industries can be introduced all over India. The special conditions of each district and village will have to be carefully studied and industries selected accordingly. Dairy-keeping, poultry-farming and market-gardening require ready markets near at hand and can be introduced with advantage only in rural areas near towns. Adequate grazing facilities are also necessary for successful dairying. Seri-culture requires special altitudes and climatic conditions. Popular and caste prejudices offer an obstacle to the adoption of pig-farming and even poultry-keeping. The possibilities of hand-spinning are,

however, perhaps greater than usually supposed. The advocates of the 'Charkha' maintain, on strictly economic grounds, that hand-spinning is the only supplementary industry, under the existing conditions, most suitable for the large rural masses. Mr. C. Rajagopalachari writing on the 'Charkha' in his memorandum submitted to the Royal Commission on Agriculture says "Hand-spinning is the only occupation that can fill the spare hours of the rural population if we take into account the limited skill and knowledge of the people and the necessary conditions of any spare-time occupation, namely that it should be simple, easily learnt, and capable of being taken up and put aside any time so that it may not interfere with the main occupation." This conclusion, he says, is confirmed by actual experience in the Khaddar revival work in the Tamil Nad in Madras Presidency. People there, especially women, have taken kindly to the Charkha and their supplementary earnings small as they are—ranging from Rs. 15 to Rs. 25 per Charkha annually—are a useful addition to their income especially as, in not a few cases, the income from land itself is no more than about Rs. 50 per family per year. Similarly, Messrs. Puntambekar and Waradachari in their excellent essay on Hand-spinning and Weaving maintain the Charkha has a great future before it and is capable of effectively supplementing the existing mill-production so as to provide clothing to the whole population on an adequate scale, if only a suitable organization on decentralised lines is called into existence for this purpose. There are, however, two main difficulties admitted even by advocates of Khadi like Rajagopalachari, viz., (i) the taste that has been created for fine fabrics and (ii) the greater cost of hand-spun cloth as compared to that of mill-products especially those imported from abroad. He holds that the second is the greater of the two difficulties and suggests that a state bounty should be given so as to help production and make possible reduction of prices and maintains that this will be necessary only for some time pending an increase in the general prosperity and purchasing power of the poorest classes through the recurring annual savings. He also recom-

\* mends other methods of state help such as loans of capital and facilities for production and distribution, reduced freights, preferential treatment in octroi and other taxes. Economically this argument is defective because what it suggests is that a permanent system of artificial props can be maintained without penalizing the community as a whole for the benefit of a particular industry.

\* In his preliminary report, the special officer appointed by the Madras Government to carry out a survey of cottage industries, emphasising the limitations of the Khaddar movement in the Presidency arrives at the conclusion that the annual savings are not adequate enough to hold out any large inducement to hand-spinning. These difficulties are real and apart from the question of cost it is not easy to change peoples' psychology and preference for "cooler and more attractive substitutes for the coarse Khaddar which lie within the reach of all but the very poorest." However, so long as the farmer is not and cannot be supplied with any other more remunerative supplementary industry, hand-spinning offers him some chance of balancing his budget at the end of the year. The case for the Charkha is merely this, that spinning on the Charkha is better than doing nothing whatever.

Another way to tackle rural unemployment is to promote the establishment in rural areas of industries connected with the preparation of agricultural produce for consumption and export such as cotton-ginning, decortication of ground-nuts, rice-milling and husking, manufacture of refined sugar, oil-pressing, manufacture of bone manure, etc. These industries should as far as possible be organised on co-operative lines and should not be concentrated in towns so as to provide widespread rural employment. The supply of cheap electric power would be a great facility for the development of such industries connected with agriculture. The Punjab and Bombay offer a promising field for the establishment of hydro-electric works for the distribution of cheap power in rural areas. A suitable system of technical education is a *sine qua non* for success. State-aid to these industries will also be necessary, at least in the beginning.

(VII) **Rural Amenities.**—The improvement of education, public health, housing, communications, agriculture, etc., may be expected to revive and extend rural prosperity. But this is not enough. The evil of drink and litigation—the two great rural cankers—must be extirpated though this may involve some immediate loss of revenue. The substitution of arbitration for the civil court and of the cinema, the reading room and recreation clubs for the tavern must be attempted as far as it will go in the rural areas.

(VIII) **Rural Surveys and Statistics.**—It is obvious that no scheme of rural reconstruction can be successfully undertaken without the help of suitable statistical data and information. Without touching here on the question of the most suitable agency and method for undertaking rural surveys we desire to emphasise the value and the necessity of collecting statistics on several matters of rural interest such as education, vital statistics, transport and communications, cultivated land, culturable waste, holdings, tenures, irrigation, outturn, incidence of Land Revenue, live-stock, forest and grazing areas, implements, indebtedness, wages, prices, co-operation, rural industries, cost of living and typical family budgets, wealth and per capita income, etc. Such economic surveys of rural areas "would facilitate," as the Economic Inquiry Committee observe, "the shaping of the economic policies and the solution of current economic problems with a view to meet existing deficiencies, improve resources and increase the country's prosperity generally."

(IX) **Rural Development Agencies.**—Within the limits of this paper it is impossible to say much regarding Rural Development Organisation. Several such agencies exist to-day in rural areas, such as the Co-operative organisation, Village and Taluka officers, Agricultural Associations, Village Panchayats—where they have been re-established—and other Local Bodies, and several Government Departments connected with Agriculture, Co-operation, Forests, Industries, Public works, etc. But as we have already hinted their activities are uncoordinated for the most part. A



great deal more in the way of concerted action is possible than is actually attempted. The Co-operative movement properly directed may be expected to play a great part in the revival of corporate life in the village. In connection with the question of the Village Panchayats as Sir Visvesvaraya observes "A system of village self-government is urgently needed to provide roads, water supply, irrigation, drainage, sanitary regulation and order in village." A satisfactory system of village self-government of which the Panchayats will be the central pivot must be evolved if the inspiration for rural reform is to come from within and if progress is to be achieved on a permanent and stable foundation. The existing system of Local Self-government in rural areas has not showed much vitality and its comparative failure, as is largely to be attributed to the mistake initially made of ignoring the indigenous form of village self-government and the imposition from without of Local bodies with which the people were not familiar. We must, therefore, build from the bottom as the experience of France also suggests. There are no doubt difficulties in the way of the revival of the Village Panchayat—the most serious of them being the long break in the tradition of village self-government on account of the disintegration of the Village Community. The difficulties, however, are not such that persistent efforts will not overcome them.

Special attention may be invited to the Madras plan of establishing a Rural Development Fund under the joint auspices of the Local Self-government Ministry and the Development Ministry for the supply of rural needs and for organizing rural work with the fullest co-operation of the people and local bodies. The creation of a service exclusively devoted to rural development work has been suggested by Mr. J. N. Gupta, I.C.S., Commissioner in Bengal, in his recent interesting book, "The Foundations of National Progress." Mr. Gupta selects the 'circle' as the unit of rural development work and works out a scheme of a "sort of circle socialistic community with its circle medical store and doctor, circle school, and its circle dairy and model farm."

We have indicated some of the directions in which work may be undertaken for achieving rural regeneration in this country. The problem is one of great magnitude and complexity but on its solution depend the happiness and the prosperity of the vast rural masses of this country.

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# A CASE FOR SOCIAL INSURANCE IN INDIA

BY

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There is no poor law in India. In the rural areas, Poor-Relief is in the forms of private philanthropy, caste-assistance, and a common feeding-house maintained by village taxes. In the cities, it has only one form—viz., welfare work. In many cities there are District charitable organisations and alms-houses looking after the needy; in a few industrial zones, the capitalists have started maternity benefit schemes, established crèches and hospitals for the factory population and provided some housing accommodation as well. The conscience of the capitalists has been aroused. The State has also passed the Workmen's Compensation Act. But all these endeavours, private and public, are only curative remedies and not preventive measures. Exigencies, like temporary inability to make a living arising mainly out of unemployment and sickness, like death of the earning member leading to widowhood and orphanhood, like chronic illness and old age, affect the small earning capacity of the labourer's family. In the West, almost all important states have launched Social Insurance Schemes against the above-mentioned contingencies. In England, the Poor Law administration remains, like the mayor's show, a vestige of an earlier age. In the year 1922, as against £158,500,000 only £38 millions were spent by the state on account of poor law. Even the Trade Unions and Friendly Societies disbursed £57 millions. In June, 1924, persons receiving institutional relief formed 18.4 per cent. as opposed to 37.1 per cent of persons insured under Unemployment Insurance Act.

In India, it has been alleged, that a thorough-going Social Insurance Scheme is just now impracticable. The alleged reasons are:

(A) There is no unemployment among the labouring classes. The following analysis of statistics about agricultural labourer is trotted out in support of the hypothesis.

Provinces.	Farm servants and field labourers.		Persons living on income from rent and cultivating tenants.	
	1911	1921	1911	1921
Punjab . .	1,192,000	1,134,000	6,96,000	1,008,000
United Provinces ...	4,552,043	435,887	28,712,015	29,843,168
Bengal ...	3,660,000	1,805,502	29,748,666	30,543,557

(Other provinces betray the same decrease in the number of farm servants and agricultural labourers and the same increase in the number of farmers and rent-receivers. In England and Wales, there are more than three hired labourers to each farmer or cultivator, whereas the proportion of hired labourers to farmers and rent-receivers in India is only one to six. The number of people supported by the preparation and supply of material substances showed a decrease of 4.3, industry 6, transport 13.8, while trade only showed an increase of 2 per cent. In industries, textile fell down by 5.4, wood 4.9, metals 3.1, ceramics 1.1, chemical industries 3.8, food industries 16.4, furniture 31, building 14.9, transport, etc., 6.7, undefined industries 4.2, while the production and transmutation of physical forces showed an increase of 72.9, hides and skins 1.8. In other words, there was a deficiency of nearly 20 per cent. in all. Therefore Sir C. Innes pointed out, that in India, in agricultural as well as in other manufacturing indus-

tries, the employer runs after the employee, whereas in England and Wales, the employee seeks employment. The conclusion is that there is no unemployment here and therefore no case for unemployment insurance can be made out.

(B) The second reason advanced against the practicability of any scheme of Social Insurance is the lack of any insurance tradition here. In England, though Social Insurance is comparatively young, it practically started from 1911; still Mutual Benefit, Friendly Societies and Trade Unions had been discharging similar functions for a long time. In Germany the scheme dates from the eighties of the last century. Moreover the insurance habit is not popular here as the following figures collected by the Agent of the Oriental Insurance Company in Lucknow will show :

Name of Country.	Life insured per head of population.		
	Rs.	a.	p.
America ... ..	2,000	0	0
Canada ... ..	1,300	0	0
New Zealand ... ..	900	0	0
Great Britain ... ..	600	0	0
Norway ... ..	450	0	0
Sweden ... ..	420	0	0
Netherlands ... ..	390	0	0
Denmark ... ..	330	0	0
India ... ..	1	8	0

There are only 66 Insurance Companies in India with a paid-up Capital of 3.1 crores of rupees. In the face of this, it is idle to assert, the critics say, that the people will take to insurance quickly.

(C) The third reason is more or less actuarial. As has been ably pointed out by Professor K. B. Madhav, "the conditions precedent are not satisfied in this country—viz., (1) that there must be a risk of general loss, (2) that the probability of the occur-

rence of this casualty must be capable of being calculated with some approximation of certainty, and (3) that the cost of provision must not be prohibitive." In other words, there are no statistics for Indian Insurance Companies to go upon and much less for the Government.

(D) The fourth reason is that the cost is enormous and the India Government, already saddled with the extremely necessary Army expenditure, cannot undertake to spend millions on behalf of the labourers, even as subsidy to the employers, especially when the important group of capitalists in the textile industry are just now facing a crisis. The 24 millions of pounds spent by the state for benefits in the Health Insurance and 13 millions for Unemployment Insurance in 1925, that is, 37 millions of pounds in all, in a country like Great Britain, are already a sore point with the Opposition. Besides, the India Government is already committed to two forms of Social Insurance, *viz.*, the Workmen's Compensation Act and the Mines Board of Health.

Now some of the reasons advanced against any policy of State Insurance are valid, others are not. For example, the case that there is no unemployment in India among agricultural and industrial population is vitiated by an ignorance of the real conditions of peasants in India. The large increase in the number of dependents upon agriculture is due mostly to the rise of rent-receiving non-cultivating class, chiefly recruited from people who had drifted from the village to the city and accumulated money there and wanted to come back as landlords. They speculate on rural holdings, however small, uneconomical, fragmentary and mortgaged they might be. Then again the cultivating tenant may be a temporary owner who cannot eke out a living wage. Anyhow, if the function of a Social Insurance Scheme is to prevent poverty, it is small consolation to know that so many of Indian people are peasant proprietors. All that we are concerned with, is poverty among agricultural labourers and their living below the subsistence level, which is undoubted. We must remember that an Indian agriculturist has an average holding varying from 3 acres

in Assam, Bengal, Bihar and Orissa to 12 acres in Bombay, which work out on the average 2.5 acres for 106.5 millions of workers. A chronic disease is not dramatic and blunts the sense of acute pain. In any case, the effects of chronic unemployment are there. Indian labourers as a whole are poor. Indian poverty, as has been alleged, is not a question of mal-distribution of wealth as in some countries of Europe, especially Great Britain. Mr. Jack's calculation for a village in Bengal is Rs. 50 per head per annum and Dr. Mann's calculation for a Poona village is Rs. 44. According to Mr. Jack there is some pretension of an equitable distribution in a typical Bengal village: "Nearly 77 per cent. of the total population there are agricultural families, among whom 49.5 per cent. live in comfort with an annual income of Rs. 365; 28.5 per cent. are below comfort on Rs. 233; 18 per cent. above want on Rs. 166 and 4 per cent. in indigence on Rs. 115. The per capita income for the different classes is 60, 43, 33, and 27 rupees respectively as contrasted with the model expenditure of Rs. 50 and Rs. 20 for the first and the last classes. Among the non-agricultural classes, the distribution of wealth is not so fair." Dr. Mann offers equally hopeless prospects for the Bombay peasants: "The average family income was Rs. 166-6, but the cost of living was Rs. 218-8." He mentions that 85 per cent. of the families are insolvent, having an income equal to 57.5 per cent. of the sum required for decent living, *i.e.*, Rs. 44 per head per annum. Dr. Lucas' study of Kavirpur in the Punjab betrays an annual deficit of Rs. 9 and annas 8. In his opinion, 20 to 30 per cent. of the people living in villages are living in poverty. Over and above that there is indebtedness. So, if we exclude the rent-receiving non-cultivating but land-owning classes and consider the legal difficulties which stand in the way of consolidation of holdings, we might be justified in saying that there is unemployment among the agricultural labourers, specially during the off-season lasting from 4 to 5 months when the decadent and moribund cottage industries cannot fully engage their attention. The emigration of labour from Bihar and the United Provinces to practically all over India

is a striking proof of the fact that there is employment among land-labourers. Among unskilled industrial labourers, who are in the majority, there is temporary unemployment in congested areas. Only the Bombay figures are available and even they are not authoritative. (*Vide* Appendix A.)

The conclusions are: (1) There is no shortage of labour supply in Bombay Textile and Engineering Industries. But adequacy in the supply of labour is a vague term. It might mean that the supply of labour is just equal to the demand, or it might mean that there is always available a large source of supply which can be utilised by the employer. The report of the returns is not clear on this point. But when Karachi Port Trust reports that the supply of skilled and unskilled labour was plenty, there is room for suspicion that the word adequate does not mean an equilibrium reached after a severe strain from wheedling the labourer away from their holdings in the villages. (2) The absenteeism figure caused by sickness, call of the harvest, festivities and Monday feeling is not high. It can be fixed at 10 per cent. on the average, with the exception of Ahmedabad. In any case, it all depends on the locality of the industrial area, whether people come from the neighbouring villages or from distant parts, whether there are slums breeding diseases or not, whether the labourers are recruited from the landless proletariat or not. So the absence of unemployment figures does not denote full employment and cannot be advanced as a sound reason for not starting a compulsory Unemployment Insurance Scheme at all in any shape.

We recognise the difficulty of the absence of accurate figures. So we cannot advocate any Unemployment Insurance Scheme before we can secure statistics of the unemployed. In the mean time we can lay emphasis on the other aspects of Social Insurance, namely, Health Insurance. In Great Britain, these two go together, and whoever is insured against unemployment is also insured against sickness and disability. In India in 1924, 50 lakhs of people died of fever, which is an easily preventable disease, and cholera, small-pox and plague were responsible for 3 lakhs,



1 lakh falling to the share of each. It is well-known that the latter diseases are preventible, though more elaborate, hence more costly sanitary measures are necessary. Mr. G. Bransby Williams, the Chief Irrigation Engineer, says: "It is often repeated, and indeed the fact is patent that India is a poor country as compared to England and America. It is argued from this fact that she cannot afford to undertake expensive works for the improvement of public health. But in reply to this, it may be asked how far is India poor by cause of being unhealthy."

As regards the second charge, *viz.*, the lack of Insurance tradition in India, it can be submitted—

(1) That, there is even now a network of village Panchayats and caste-guilds, functioning in India. The Famine Commission codes and reports always instruct their Inspectors and Superintendents to utilise them. The joint family, though fast breaking up under economic and legal pressures exerted by Western influence, still retains its hold in so far as the law of co-parcenary property is regnant and imposes upon the *Karta* of the family the obligation of supporting the aged, the orphan, the widow, and the indigent. The Moslem law and practice is equally solicitous for them. There are other fraternal associations, 'Kuris' and Chit funds. So the Indian labourer is not a stranger to the idea of mutual benefit, though, he might be to the exact procedure of premium and benefit scheme involved in insurance. In Bombay, there are 327 Sanitary Committees and 220 village Panchayats. The following table given by the Director of Public Health for the Government of Bombay in 1924, will show that the Village Panchayats and Committees can avail themselves of the opportunities and pull down death-rate considerably:—

Death-rate.	Town.	Village Panchayat.	Sanitary Committee.	Total Income including Opening Balance.	Popular Contribution.	Total Expenditure	Closing Balance.
31'07	Nasik ...	9	17	16,694 + 19,036	4,754 + 2,398	9,894 + 5,874	6,803 + 13,162
32'08	Poona ..	11	2	24,998 + 807	6,415 + 191	14,039 + 630	10,959 + 177
27'14	Kolaba ...	18	15	8,475 + 8,763	3,751 + 1,519	4,982 + 5,764	3,493 + 4,999
21'39	Ahmedabad	4	1	6,536 + 1,874	3,665 + 1,473	4,891 + 1,587	1,645 + 287
30'53	Karachi	...	40	36,843	8 000	16,222	20,621
23'30	Surat .	3	7	4,262 + 13,135	4,108 + 2,590	2,938 + 10,525	1,324 + 2,607
	Sholapur	7	...	13,737	275	10,604	3,133
	Thana ...	35	...	40,470	22,383	28,315	12,155

(2) That, the Government in Indian Trade Unions Act of 1926, Chapter III, Section 15 (g), while notifying the objects on which a Registered Trade Union may spend out of its general funds, mentions "the issue of, or the undertaking of liability under policies of assurance on the lives of members or under policies, insuring members against sickness, accident or unemployment," as one of the legitimate items of Trade Union expenditure.

(3) That the first Insurance Company was established in Japan in 1880, and it was only in 1900, that the Insurance Bureau of the Department of Agriculture and Commerce was started. Mr. Cook of the *Statesman*, writes, "Industrial Insurance is conducted in that country as a Government monopoly and premiums are conducted monthly through the Post Offices, throughout the Empire at an expense ratio which for 1925 was so low as 17 per cent., very much below the working cost of any Industrial Company, transacting business in Great Britain. At the end of last year there were 9½ million policies in force, insuring sums in excess of 1,200 million yens. This scheme of State insurance was only introduced in 1916, after having been under consideration for 17 years previously. Policies are issued under both whole life and endowment schemes for sums ranging between 20 and 350 yen and between the age of limit of 12 and 60 at the time of entry. There is no medical examination and certain reductions are made in the case of endowments if death occurs in the case of 2 years and is not caused by infectious disease. For contracts extending over five years a certain percentage of the premiums paid is refunded on expiration of the contract term. The Post Office authorities are granted nine per mille of the insured amount as initial expense and 12 per mille on account of canvassing, and the fund derived from the premiums collected is invested by the Government in works of public utility. The scheme has become so popular that in some provinces from 50 to 70 per cent. of the population have insured themselves." Therefore it is not impracticable to frame insurance schemes for workmen in India, for

Indian labour and Japanese labour conditions are more or less on a par. In 1925, Insurance provision for working classes in England was double that for 1913 and in the U. S. A. and Canada, 3 times the amount of 1916.

The third objection is valid to some extent, not only in so far as any state help is concerned, but also with reference to private companies, insuring individuals on an Industrial basis. But we must admit that the risks of health, i.e., sickness and death at least, if not of unemployment, cannot be prevented or hastened. We have the authority of Mr. Lethbridge, the Labour Commissioner of Bengal, to support our view. He says that there has not been a single case for malingering in so far as the operation of the Workmen's Compensation Act is concerned. We have to admit that with 8 to 10 per cent. of the labourers as absentees in Bombay and let us say the same percentage on the sick-list in a factory in the average, the "contemplated failure of premiums is concerned with a relatively small number during any short interval," as Prof. Madhava thinks. Vital statistics in India are proverbially inaccurate. The *Labour Gazette* of Bombay, November, 1924, defends the Government of India on the ground that in Great Britain figures for occupational mortality were published ten years after the events referred to. It says, "It may be remarked that in India we have not yet secured any figures of comparative mortality in different occupations. For one thing, our Census Record of occupations does not yet distinguish between employers and employed, so that the numbers returned after the various 'Groups' in Sub-Group III 'Industry,' Order 9 'Metals,' includes masters as well as operatives. And for another, our village Death-Registers do not record occupations. There is little doubt that at the next Census strenuous efforts will be made to secure a better classification of occupations." In the absence of accurate vital statistics among labouring population of India, the following figures of the incidence of different diseases in five or six typical industrial towns of Bengal may be taken as representative. Thus the Bengal Public Health Report of 1922 mentions:—

## AREAS.

Diseases.	Garden Reach.		Kamarhatty.		Tittagarh.		Bhatparah.	
	Actual No. of Deaths.	Death-rate per mille.	Actual No. of Deaths.	Death-rate per mille.	Actual No. of Deaths.	Death-rate per mille.	Actual No. of Deaths.	Death-rate per mille.
Malaria	70	1.5	158	6.9	140	2.7	32	5
Enteric	28	.6	...	...	13	.2	3	.04
Measles	2	.04	...	...	1	.01	...	...
Relapsing fever	2	.04	...	...	63	1.2	5	.1
Fevers	259	5.7	...	...	330	6.3	184	2.8
Dysentery	78	1.7	21	.9	9	.2	11	.2
Diarrhoea	47	1.0	26	1.1	41	.8	27	.4
Pneumonia	98	2.2	...	...	18	.3	16	.2
Phthisis	10	.2	16	.7	22	.4	5	.1
Influenza	1	.02	...	...	2	.03	...	...
Respiratory disease	26	.6	3	.1	16	.2	...	...
Infant mortality	...	571.8	...	176.8	...	219.5	...	...

Dr. Bentley thinks that the percentage of error is somewhat near 27 on the recorded rates. The death-rate for India in 1922 was 24.02 per mille, a figure too low by 6. We can accept 30 per mille as the average death-rate in any healthy year in India as compared to 12 in Great Britain. The figures for sickness are more unreliable, but malaria, dysentery, cholera, enteric, diarrhoea are, between themselves, responsible for much more than half the death-rate and 8 to 10 per cent. of absenteeism at most. Besides there is hook-worm, which affects the efficiency and vitality of the poor people in cities and villages. Now the death-rate of India can, in the opinion of Mr. Bransby Williams, be reduced to 15 per mille, i.e., 3,750,000 lives can be saved annually. In England, there are 180 weeks of sickness per death; in the absence of detailed information, let us accept the same figure for India. So we diminish 675 millions of sick-weeks in one year for the entire population. For a labouring population of 160,000, on the basis of 10 per cent. it would be 83 lakhs of weeks. The figures represent preventible sickness. Accepting Col. Hutchinson's estimate of Rs. 200 as the average assessment of each life and at the minimum Rs. 2 for each week's loss, the actual loss would mean 210 crores or the capitalised value being £2,000 millions at 7½ per cent. for the whole country.\* The labourers lose 1 crore 7 lakhs or nearly 20 crores of capitalised value. Two hundred and ten crores mean slightly above Rs. 8 per head of the population. The Bengal Government spends only Rs. 2 per head outside Calcutta for Public Health and District Boards spend ¼ of an anna per head for sanitation. Now that a National Health Insurance can relieve that enormous loss in life and efficiency is beyond question. Of course, the work of the Public Health Department will not be obviated, it will only be reinforced by the interest shown towards its aims and ideals by the Insurance Companies and the entire class of employers and employees. On the same estimates of death rate, sickness-rate and average life,

\* As reported in the *Statesman*, October 28, 1925.

the responsibility for 16 lakhs of workers in factories, mines, and other industries will be more than two crores of rupees. If the responsibility for removing sickness and death only is shared equally between the labourers, employers, and the State, it is less than 1 crore for each party, *i.e.*, for each labourer Rs. 6 only per annum, which is not a great amount for the labourer, whose interests are most jeopardised in insanitary conditions. It is not difficult to fully arouse the conscience of the capitalist to undertake this responsibility by contributing to the payment of sickness-benefit and some kind of burial benefit. Prof. Madhava has calculated that "with a burial benefit of Rs. 5, weekly sickness benefit of only 8 annas together with allowances at the same rate for only 13 millions labourers aged 60 and over, the total cost is 70 crores, not much greater than the military expenditure in India (67½ crores)." We know in India, as elsewhere, sickness varies according to occupation, age and sex. In America, 20 per cent. of a normal group will suffer a disabling sickness for more than a week, 65 per cent. of the sick are disabled for about 4 weeks, 20 per cent. 4 to 8 weeks, 60 per cent. 8 to 12 weeks, 3 per cent. 6 months and 1.3 per cent. for more than a year. Therefore, as such, Indian statistics are in default, we cannot just now offer an actuarial basis for a thorough-going scheme of Health Insurance. But what can be achieved is shown by the preceding figures of absenteeism and the following figures of death-rate, and the average constantly sick-rate among Indian troops. In 1923, out of a total number of nearly 150,000, 466.7 per mille were admitted into hospitals, out of whom 5.98 or 6 per mille died, 16.3 per mille were invalids, and 20.13 per mille were constantly on the sick-list (as against 80 to 100 per mille in the mills). This year was a particularly healthy year for Indian troops but the previous, pre-war years were not. Their average for 1910—1914 were 544.6, 4.39, 5.4 and 20.7 respectively. If the marked improvement of figures for 1923 over the average of 1914—1918 is traceable mainly to the introduction of Station Hospital system in 1918, then it can be well imagined how a Health Insurance Scheme

will improve the health of the labourers in India. Let us face facts and know once for all that in spite of Mr. William's warning, that the cost of death and sickness, arising out of preventible diseases, in India, runs to 2,000 millions sterling, the India Government, since the Public Health and Industries Departments have been provincialised transferred subjects, will not entertain any such proposal of Compulsory Health Insurance, unless the employers take the initiative.

But insurance by industries, is open to many objections. It is extremely difficult to fix the responsibility for the unemployed, and the sick on any industry, like engineering, which is horizontally organized. In case an insured person removes from one industry to another, a separate establishment will have to be kept to consider the claims of such a person. Besides, when an industry is small, the calculation of risks is not sound and dependable and no big Insurance Company will enter into business with it, and therefore the premiums will be heavy. Each industry will again have to appoint employment exchanges, health-officers and a host of other officials. It will impede mobility of labour to a great extent. What is worse is that well-paid labourers in big industries will escape with low contributions and ill-paid labourers in smaller industries will have to pay more. The most glaring inequity, however, is that some industries are more susceptible to unemployment and ill-health than others. The causes of unemployment and ill-health again are sometimes super-industrial; sometimes, unemployment in one industry is due to the temporary prosperity of another. Therefore all the vices attached to a policy of drift and non-co-ordination are to be found in a puristic scheme of insurance by industry. The number of organised, well-financed and well-supplied industries in India is small. Those which are, cannot bear the full burden of Industrial Insurance. Nascent industries will certainly pass on the entire contribution to the community as increased prices. Only the important industries with high dividends alone can think of the partial contribution. Therefore a scheme in which labourers in a group, the capitalists



of the same industry, and the State through subsidy, when need arises, can co-operate, is alone feasible. This is known as Group-Insurance, a comparatively late development of Social Insurance.

“ In this form of Insurance, a group of employees can be insured under a blanket policy.” The premium of the group, the unit of which may be taken to be the family, or members of the Village Panch or the same caste working in the cities or villages, is certainly less than the sum total of individual premiums, for the responsibility is joint and several. It is paid in one lump. There is no medical examination, just as much as very many Insurance Companies forego it in the case of joint or partnership insurance. The Doctor's fees coming to Rs. 16 for every Rs. 2,000 or Rs. 10 for every Rs. 1,000 are saved thereby. The employer takes the policy for his group of employees whose general conditions of health and employment are reported upon, *en masse*, by insurance agents. “ The contract is generally one-year-renewable type, though it may extend to five or ten years. A certain percentage or multiple of the wages of the sick-employee will be paid as benefit if the employee is still in employ. Benefit certificates lapse when workmen leave service permanently and death benefits will increase proportionately with the years.” The rates of premium are lower for the saving in the medical service fees, commission-rates, collection charges and lapse levies and for the security of payment which the capitalists may make every quarter to the companies in lump sum. The inspection-charges can be kept low by collaboration with the Factory Inspectors.

Other advantages are, (1) a continuity of service and a healthy co-operative spirit between the employer and the employee which will solve the Industrial Unrest, especially the problem of strikes without notice, (2) a camaraderie between labourers grouped under one “ blanket-policy ”—a very partial solution of the Hindu-Moslem dispute in industrial areas, (3) a habit of thrift among a proverbially unthrifty people. The chief advantage of group-insurance over industrial insurance on an individual basis is that

the former is cheaper. In India, the block agency system may be adopted which according to the latest report of one company in England has succeeded in cutting down expenses from 40 per cent. of the premiums to 25 per cent. within six years; and in America, one large company has reduced the expense ratio to premium income from 44 per cent. in 1900 to 26½ per cent. in 1925. Needless to add that group-insurance will be cheaper than Family-Endowment policies advocated by Miss Rathbone or the Widow's Pension and Old Age Pensions of Great Britain.

Now one company in India, the Oriental Life Assurance Co., of Bombay, has got the following rate. A whole life policy for Rs. 1,000 without profit, starting from the 20th year, would mean Rs. 21 10 as. annually. For a group-policy, the annual premiums can be 10 per cent less, i.e., say Rs. 19 10 as. which would mean Re. 1 11 as. per month. This sum can be proportionately divided between the employee, the employer and State. Let us see what happens in Great Britain. "Men pay 5*d.* per week, women 4*d.*, employer 5*d.* (he has got to pay more for another scheme of pension benefits) and the State two-ninths of the total sum required. From January, 1926, the contribution for men by themselves and the employer has been reduced from 10 to 9*d.* and for women from 9 to 8½*d.*, sickness benefits are 15*s.* and 12*s.* for men and women for 26 weeks, disablement benefit of 7*s.* 6*d.* for the whole period, maternity benefit if the wife is not insured £2 and if insured £4. Doctor's advice, medical provisions and even Sanatorium treatments are sometimes provided." In other words, in Great Britain, the shares of employers and employees are equal and the State has got to come to the rescue. In India, it will come to 9 as. for each party per month which would mean 1 anna for each group of 9.

Therefore what is needed in the present conditions of Indian labour is a group insurance scheme which is primarily an affair of the labourers and their employers and ultimately one of the State. The scheme is social, but not State Insurance or Industrial Insurance.

This group assurance satisfies the five tests that have been put forward by Mr. Cohen for any successful scheme of Social Insurance. In this form—

(1) The payment by the employer is prompt;

(2) The administrative costs are lower. In England, "Health Insurance, which is administered under Government supervision by approved societies (i.e., trade unions, friendly societies and private insurance companies) has an administrative cost of 14 per cent";

(3) There is a greater chance for poverty among our labourers being reduced, especially poverty arising out of sickness;

(4) In so far as the funds (from which workmen are to receive benefits) are raised by contributions, from the employees assisted by the employers and the State (in America, the idea is that the employers would insure their employees in group), collected by the employers and paid in lump sum as premium, they are safe;

(5) There is no fear of lapsed policy either from the non-payment of premiums or from the death of the insured individual. The fear of accumulation does not arise here, for the accumulated sum will be divided.

I am not blind to the difficulties of Group Insurance. Mainly they are actuarial. But, Mr. Surendara Nath Tagore, the General Secretary of the Hindusthan Co-operative Insurance Society, thinks that they are not insuperable. "The shortness of the lives of labourers, absence of statistics about the average longevity, their distribution over wide areas, the procuring of proposals, the medical examination *en masse*, the investigation and settlement of claims are expensive items." The labourer in India individually has no surplus, but if the rate of contribution is deducted from the wages by the employer beforehand, then the difficulty may be easily overcome. But how to construct premium tables for them? Mr. Tagore writes, "The premium tables actually in use by Life Offices for their Indian business are far from accurate, based as they are on rule of thumb adaptations of British or American experience *unchecked by any reliable statistics*."

How then is such Indian business at all workable? Because of the margins of safety that are kept and which result in the periodical surpluses returned as bonuses to the policy-holders or absorbed as profits by the shareholders or proprietors of the Life Company itself. If, in the case of the lower strata of our society, a large margin be taken to start with and the resulting surpluses returned at short intervals (in our scheme, a part to be spent for medical benefit, etc.) to the assured persons under some equitable scheme, neither will the Life Office be endangered nor the policy-holders defrauded. With the progress of the business, first-hand information will accumulate and thereupon the premium tables can be revised and the excess margin reduced to any degree."

Medical examination offers no very great difficulty. The average longevity of a group of persons in any occupation cannot differ materially from the medical results of individual insurance by ordinary medical doctors. The defect might be included in the margin as well. "The expenses of procuration and claim settlement could be largely minimised" through a representative of the group. We have seen in Bombay how the Village Panchayat and the Sanitary Committees are working. Their presidents may be elected as representatives. Where they do not exist, there are many other socio-economic bodies functioning, the Secretaries of Co-operative Societies, the Local Boards and the Panchayat in the villages and the caste-panchayat, the Sirdars and their employers who will undertake the job. "In fact the labourers' own representatives, even at a commission, will be less expensive than any form of agency and medical examination by individuals." Over and above this if the Co-operative Societies, and Boards of Public Health co-operate, and the State passes some kind of protective legislation by which small insured sums of labourers, say up to Rs. 1,000, may be unattached and untaxed, the problem of Indian poverty, at least so far as it relates to sickness and early death of industrial labourers followed by destitution of their families, will be solved. I suggest this idea of Group Insurance to our economists and Indian Insurance Companies,

upon both of whom the duty of alleviating the economic distress of Indian labourers lies. Mr. Tagore writes, "An Insurance Company making it a rule, in the case of this Department, only to deal with such groups, to begin with, should have no dearth of business." Mr. Cook, whose Insurance notes in the *Statesman* are undoubtedly the best that I have read in any paper edited in India, is also of opinion that Group Insurance has a future in this country.

I beg to state that this paper is not and cannot be a description of any thorough-going scheme. The reason is that we have no accurate statistical information to go upon. It is only an invitation to conduct enquiries, assemble relevant statistics and discuss the possibilities of what I consider to be a fruitful idea.

#### APPENDIX A.

The Bombay *Labour Gazette* furnishes monthly returns of the employment situation in the industries. The figures of the supply of labour and figures of absenteeism are given. No other provincial statistics are available. The following table will show the nature of the returns.

Date.	Place.		No. of Mills furnishing Returns and Percentage.	Industries.	Supply of Labour.	Absenteeism		Remarks.
	Pres.	Cities.				Pres.	City.	
August 1926	Pres.	Ahmedabad	125	Textile	Adequate in the City.	9.75	11.06	
			38	"	"		2.87	
		Sholapur	5	"	"		11.39	
		Broach	3	...	Inadequate		9.22	
January 1927	Pres.	Karachi	...	Engineering	Adequate		11.91	
				Port Trust	Plenty		7.3	
		City	126	Textile	Adequate		7.33	
			79	"	"		8.11	
		Ahmedabad	37	"	"		1.85	
		Sholapur	6	...	"		11.72	

Date.	Place.		No. of Mills furnishing Returns and Percentage.	Industries.	Supply of Labour.	Absenteeism		Remarks.
	Pres.	Cities.				Pres.	City.	
February 1927	Broach		2	...	Adequate		6'87	
	Bombay City			Engineering	"		10'14	
	Karachi			Port Trust	"		7	
			124	Textile	"		7'34	
	City		80	"	"		7'72	
	Ahmedabad		36	"	"		1'68	
	Sholapur		6	"	"		13'23	
	Broach		2	"	"		7	
	City		...	Engineering	"		12'39	
	Karachi		...	Port Trust	"		7'5	

April 1927	Pres.	118	78'67	Textile	No mention	8'11
	City	80	100	"	Adequate	8'91
	Ahmedabad	28.	47'46	"	"	2'47
	Sholapur	5	82	...	"	14'73
	Broach	3	100	...	"	8'35
	City	...	...	Engineering	"	16'34
	Karachi	...	...	Port Trust	"	8'41
July 1927	City	77	97'47	Textile	"	8'36
	Ahmedabad	34	57'63	"	"	Flood
	Sholapur	6	100	"	"	12'58
	Broach	...	...	...	"	7'07
	City	...	...	Engineering	"	12'6
	Karachi	...	...	Port Trust	"	6'1





# **CONFERENCE PROCEEDINGS**



## PROGRAMME

JANUARY 3rd, 1928

I. Dr. M. B. Cameron, M.A., D.Litt., Vice-Chancellor of the Lucknow University, welcomed the delegates.

II. The Hon'ble Rai Rajeswar Bali, Minister of Education, opened the conference.

III. M. L. Darling, Esq., I.C.S., delivered his presidential address.

IV. Reading of the following Papers:—

### *Agricultural Organisation*

(a) Co-operative Marketing—By Dr. H. Sinha, M.Sc., Ph.D., Calcutta University.

(b) Agricultural Credit—By Lt. H. C. Seth, M.A., Ph.D., Benares Hindu University.

(c) Land Mortgage Banking—By Dr. J. Sinha, M.A., Ph.D., Dacca University.

(d) Co-operation in India—By Dr. P. Banerjea.

(e) Compulsion in Rural Economic Development—By S. Kesava Iyengar, Esq., M.A., Nizam's College, Hyderabad.

(f) Some Aspects of Rural Reconstruction in India—By G. B. Jathar, Esq., M.A., and S. G. Beri, Esq., M.A.

### DISCUSSION.

V. Executive Committee Meeting.

VI. Visit to the Residency and other historical sites.

JANUARY 4th, 1928

I. Reading of the following Papers:—

### *Agricultural Economics.*

(a) The Agricultural Regions of the Ganges Plain: A Survey of the Relation between Cultivation and Water-

- supply—By Dr. Radha Kamal Mukerjee, M.A., Ph.D., Lucknow University.
- (b) Double-cropping in certain Regions of Over-population—By Birendra Nath Ganguly, Esq., M.A., Dacca University.
- (c) Agricultural Development—By B. G. Bhatnagar, Esq., M.A., Allahabad University.
- (d) Some Agricultural Industries of the Madras Presidency.—By V. E. Rama Krishna Iyer, Esq., M.A., Sri Minakshi College, Chidambaram.

## DISCUSSION.

- II. Visit to the Railway Workshops and Settlement.
- III. Executive Committee Meeting.

JANUARY 5th, 1928.

- I. Annual General Meeting.
- II. Reading of the following Papers:—

*Social Economics (including Population Problems)*

- (a) Social Economics—By the Rev. James Kellock, M.A., Wilson College, Bombay.
- (b) Social Insurance—By K. B. Madhava, Esq., M.A., A.I.A., Mysore University.
- (c) A Case for Social Insurance—By D. P. Mukerjee, Esq., M.A., Lucknow University.
- (d) Street-Beggars in Calcutta—By B. N. Ganguly, Esq., M.A., Dacca University.
- (e) Industrial Migration—By Dr. Raj Bahadur Gupta, M.A., Ph.D., D. A.-V. College, Cawnpore.

## DISCUSSION.

- III. Garden Party.

## ADDRESS OF WELCOME

BY

DR. M. B. CAMERON, M.A., B.Sc., D.LITT.,

*Vice-Chancellor, Lucknow University,*

*Chairman, Reception Committee.*

I esteem it no ordinary privilege to have, as the Vice-Chancellor of the University of Lucknow, the honour of welcoming the delegates to the meeting here of the Economic Conference of India. It is a great occasion for us in Lucknow to meet so many distinguished economists from all parts of India and to have them discuss in our midst the problems of economic science about which they have been specially busy. It is the peculiar fortune of your science to deal with subjects that have extraordinarily numerous points of contact with the actual life and interests of men. In a very peculiar degree your problems come home, as Bacon says, to the "business and bosoms of men." Thus it happens, I think, that there are few sciences, in respect of the subject-matter of which men are more ready to hold strong opinions without thorough investigation into the grounds that can be found for them. The art of living and working together in society had to come into existence before the science of living and working together arose in the endeavour to find how this art can be most wisely and efficiently practised so as to get the most out of life, both in respect of quality and quantity. Thus it comes that in connection with the subject-matter of your science, you have a tangled mass of hearsays, long-established conventions and practices, empirical solutions, and superficial ideas, born of emotion or prejudice or even of idiosyncrasy and caprice. It is your business as scientific economists to sift and examine this tangled mass in the endeavour to discover sound leading principles.

2. To simplify its work, all science has to be, to a greater or less extent, abstract, breaking up the fulness of concrete fact and concentrating only upon those aspects of it which are immediately relevant to its specific purpose. In so abstracting, however, science is taking a risk. For, the more you abstract and simplify, the farther you are getting away from reality, which is, after all, not merely a conceptual scheme but the actual complex world in which we have to live and move and have our being. The process of abstraction can easily be carried too far. I have heard of a mathematical don, who, after a brilliantly logical exposition of a theorem, concluded by saying, "and, gentlemen, the special beauty of this theorem is that it is of no earthly use to anybody." That sort of abstraction will never do. It will not do even for mathematics, though, to be sure, it is there that it is least calculated to do serious harm. When, however, the science deals with matters that come as close to the fulness of concrete life as do the problems of economic science, the method of abstraction, while still useful, needs to be very cautiously used and carefully safeguarded; otherwise results may be reached which may be very erroneous and misleading. Yet the attractiveness of the neat conceptual schemes which can be obtained by suitable abstractions from the complexities of the actual present, constitutes a real temptation, to which, I am afraid, economic science in its early stages only too easily succumbed. Thus was begotten that most objectionable monster, the economic man, and all the soulless doctrines against which Carlyle and Ruskin so vigorously protested. You have now in your science moved away from the abstract view of man as a mere bundle of calculable needs and desires, and also from the similarly abstract human being as the merely animal product of a naturalistic evolution. You are no longer content with what Carlyle contemptuously styled the "pig philosophy." More and more you are realising how very relevant to your enquiries are the studies of psychology and sociology. The economic science which tries to leave out mind and still more the economic science which tries to leave out the human mind and

its valuations, is trying to stage the drama of HAMLET, while leaving out the character of Hamlet. Here, in Lucknow, our Professor of Economics has taken up a very decided line in endeavouring to keep his teaching of the subject in closest contact with the facts of the real world. Our first Ph.D. in Economics, whose thesis was highly approved by the European experts, to whom it was submitted, took as his subject, "The Housing Problem in Industrial Centres." Our post-graduate students are engaged in regional surveys in the villages of Oudh and are accumulating material that may be very useful.

3. This seems to me an invaluable discipline, correcting the tendency to treat economics as a mere book science, dealing, no doubt, with human life, but with that life as lived, it may be, anywhere else than in the immediate neighbourhood. The tendency is all the more mischievous in India since most of the textbooks which the students have to study have been written with special reference to an environment which is very different from that which exists in India. Practical work of this kind in economics also brings students out of the little artificial sheltered world of academic life and into personal contact with the stress and bustle of life in the real world, where a man has to make good his claim to place and function.

4. In these days, however, of much statistics-gathering it may be well to remember what Bosanquet calls "Bacon's most dangerous fallacy" in thinking that first men collect facts and then they apply their minds to them. Of course, it is obvious at once when attention is called to it, that, when you go out to collect facts, you cannot leave your mind at home behind you. You cannot collect facts without having some purpose more or less clearly in view, some rough idea of what you want. But the danger of Bacon's fallacy alluded to by Bosanquet lies chiefly perhaps in a common psychological weakness which makes the actually present activity of the mind occupy it too exclusively—the tendency to forget the end in being busy about the means. The mere collecting of facts becomes, as it were, an end in itself. Mr. Casau-



bon's endless note-books, which George Elliot in *MIDDLEMARCH* tells us he was always filling up in preparation for his "Key to all Mythologies," are an awful warning of how all the vitality and human feeling which a man once possessed can become utterly desiccated in too prolonged an effort merely to accumulate material. This picture is, no doubt, a caricature; but it indicates a real danger, the danger of the collector of facts losing himself in the facts he collects. And it is a danger that can only be avoided by keeping the mind actively at work all the time, filling up the provisional outlines of the ideas it has framed to guide itself in its collecting of facts, and constantly testing, readjusting and supplementing its working hypotheses. Thus, however, realistic economics becomes, in basing itself upon actual existing conditions, a fruitful enquiry into these, and a just appreciation of them cannot be expected too soon from students. It must rest upon such a sound general training of the mind as comes of a culture not too narrowly conceived, but inclusive of as wide a knowledge of possible, and especially of a knowledge of the best that has been thought and done in the world.

5. Economic science may have begun, as I said, by pushing its abstractions from reality too far. The pure laboratory products of a too theoretical economics are apt to produce dangerous explosive mixtures or even poisons when tried out in the complex conditions of actual life. At best their structure is too frail to stand the strain of actual working conditions. Yet in this reaction from too abstract economics there is the other extreme to be avoided which, though not so positively dangerous to any but the worker himself, is just as barren of beneficent results—the losing oneself in endless toil at economic enquiries which merely load the library shelves with accumulate data and volumes of statistics. The scientific economist's work is hardly begun and is certainly not *done* until the data and the statistics are *used*. We look forward to the papers that will be read in this Conference and the discussions that will follow, to show how this can and ought to be done, and however, this Lucknow session of your

Conference may compare with other sessions in respect of its profit to *you*, I am confident that to the students of Economics in Lucknow it will prove a powerful stimulus and give them invaluable instruction.

6. Gentlemen, I hope you will find that Lucknow contains many things more than economists and papers on economics. We are proud of our city with its wide beautiful spaces and romantic reminders of the past. We have no great show to make of industrial development or busy factories for the production of wealth, but you can spend wealth quite easily here. You can't have everything. If your economic desires are somewhat starved, we hope you will find much around you to appeal to your æsthetic desires and that you will like the bracing, invigorating air which we enjoy at this season of the year.

Once again, I welcome you to our University. I trust that you will have a very successful Conference and that when you leave us, it will be with happy recollections of the days you have spent in Lucknow.

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## OPENING ADDRESS

BY

THE HON'BLE RAI RAJESWAR BALI, B.A., O.B.E.,

*Minister of Education, U. P.*

I deem it a privilege to have been asked to open this conference of the Indian Economic Association and to welcome here the distinguished economists of India. I must frankly confess that I do not claim any intimate knowledge of the science of Economics; and whatever remarks I have to offer are those of a layman and an outside observer. It is admitted that among all the problems which are now engaging the attention of educated India, there are few which can be compared in importance with the question of our economic reconstruction. Indeed, most social and political problems are at their root economic, and a speedy and satisfactory solution of the former lies often in working out the basic economic issues.

The subjects which could be considered at an economic conference are as wide and varied as social life itself, but from your programme I understand that the conference will confine itself at this session to a discussion of only three topics, *viz.*, Rural Economics, Social Economics and Migration of Population in India.

I should say at the outset that we in the United Provinces are deeply interested in these three questions. I hope that your papers on various subjects and discussions will contribute towards the solution of the many problems which confront us and the formulation of a practical programme for the uplift of our peasantry.

A very large and densely populated part of the province lies at the meeting point of the two chief rain currents of India and so has been liable to irregularity of rainfall, and the attendant scarcity, from time immemorial. For the same reason the provinces have developed a fairly elaborate system of canal and well-irrigation, the significance of which in our rural economy can hardly be exaggerated. In districts on the north-west, canal irrigation has changed the whole character of cropping and distribution of population, while in the eastern districts the abundant provision of well-irrigation is the basis of high agricultural productivity and density of population. Population has in many areas outstripped the means of subsistence. "There has been an undue fractionalisation of holdings whose size has often gone below the agriculturally profitable unit. In portions of the eastern sub-Himalayan districts, which were more or less overgrown with jungle a century back, the population has become so dense that the plots of land can only permit of toy-agriculture and the standard of life has been so much lowered that the annual migration of population to Bengal and Bihar continually increases in volume. Such outstanding features of our general agricultural situation have not, I believe, escaped your attention. With these are associated certain pressing agricultural problems of the importance of which I am sure you are fully aware. The introduction of a crop, like wheat, by canal irrigation into wide areas where it was unfamiliar has been perhaps the most important agricultural improvement in the whole of India. How far this has accompanied a rise in the standard of comfort, and how far the latter has suffered due to overpopulation, deserve accurate local inquiries. We are not unfamiliar also in these provinces with the deterioration in farming methods and practices which an excessive use of canal water has brought about, and with the fresh problems which have arisen as regards the village sanitation—particularly the greater prevalence of malaria. It is only by systematic economic enquiry in villages in different parts of the country that we can ascertain what effects the extension of irrigation, the

introduction of a new and more productive crop or of a fresh rotation, etc., have had in relieving the excessive pressure of population upon the soil. Several intensive surveys have been conducted by post-graduate students of the Lucknow University in this direction. I hope that before long there will develop at this university a really efficient school of Indian Agricultural Economics, which may to some extent bridge over the present gulf between economic theory and practice.

The whole question of the introduction of new agricultural methods and machinery is intimately bound up with the practical economic issue, what pays the farmer best? Each crop, each new implement, each novel practice, must not be taken piecemeal. Each is only a part of a long series of adaptations of farming to the conditions of soil and water-supply. Thus it is not before we have from the economist a careful scrutiny into the size of the economic holding, normal agricultural costs and outturn, normal profits, etc., that we can best utilise the results of experiments conducted in agricultural stations or in research institutes and laboratories.

One very useful method of introducing agricultural improvements is through co-operation. Co-operation has been applied to rural credit, purchase of agricultural implements, marketing, irrigation, insurance and other purposes in many countries of the world, as well as in India and Burma. The movement has not succeeded as well in these provinces as in other parts of India; though, as you doubtless are aware, the Government are making strenuous efforts to effect an improvement.

Mr. Darling, your distinguished President, will, I believe, tell you something about the progress effected in the Punjab by co-operative methods in the various fields of rural economy. Co-operation, indeed, holds the key to rural reconstruction. There is no social or economic need of the small farmer which cannot come under the sphere of co-operation. It is a sign of the times that some of our abler graduates are now turning for their career to the Co-operative Department. Unless the intelligentsia come

forward in large numbers and direct the movement in the villages, real co-operation which is the basis of a vigorous social and economic life of the villager will remain an idle dream of the economists.

Another matter about which I may say a word is this; although I have no doubt you are aware of its importance. In my judgment the study of Economics at the universities (no less than discussions at conferences like this) ought to be specially directed at the present moment to practical ends and must face the facts of everyday life rather than confine its flights to an unreal atmosphere in the old and orthodox style. The Economics department of the Lucknow University, under the able guidance of the learned doctor who controls it, has, I believe, kept this ideal before its students in no uncertain manner. It is only by such study, and by making the results of such research available to the departmental experts that real and speedy progress is possible. There are many matters indeed which must be tackled by the economist and the practical expert jointly, such as fodder and food supply, soil exhaustion, small holdings, and the condition of agricultural cattle. The last-mentioned is one of the most pressing questions. In a recently published book which has attained a certain extent of notoriety the suggestion is put forth that we suffer from an excess of cattle population, which we are unable to look after properly, for which it is not possible to find sufficient pastures and which it is uneconomical to keep. Is this so?

Again Government, as you may be aware, are often advised to provide more pasture lands; but in a province like this where the pressure of the agricultural population is acute this is easier said than done. It would be of the greatest help to have an accurate study of the questions: how far it is economical now to convert cultivated land to grazing fields; and whether it would not be more profitable to grow more fodder crops rather than provide more pastures.

Then, we are told again and again what waste is involved in agricultural holdings with scattered fields and urged to take

vigorous measures for their consolidation. But has the question been ever really studied in a thorough and systematic manner by students trained in methods of research: what limits there ought to be to consolidation and whether compact holdings would be an unmixed blessing? In this province where there are large tracts of different kinds of soil (loam, clay and sand), and where much depends upon rain, a scattered holding may not always be the economical bogey which it looks on paper. A survey in areas with different conditions and a compilation of facts relating to a number of years would be of the greatest value. There are other questions in the solution of which the economist can join hands with the departmental expert with marked benefit to the country; I am sure you are already fully alive to their importance.

Throughout India we find an increasing struggle between the village and the city. In many instances the economic pressure is leading to a break in our traditional notions of mutual responsibility, but we must devise measures to reconcile economic efficiency with our long-cherished social ideals. In the social programme of the future the intimacies of personal relationship in economic transaction need not be given up. Art and craftsmanship must still thrive. Along with good health and strenuous labour, there must be joy in work, joy in leisure, joy in family diversions and social recreations. Above all religion must also co-exist, for it is religion which will teach that no man ought to be regarded as a mere means to an end. It is religion which brings economic activity before the august tribunal of supreme values, the true, the beautiful and the good. Thus our most valuable and cherished assets need not be hoarded under ground as unseen treasures, but be utilised in this new era of economic reconstruction to meet the larger needs of our ancient civilisation.

Gentlemen, I thank you again for the honour you have done me by asking me to take part in to-day's function and I have much pleasure in declaring the Conference open.

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## PRESIDENTIAL ADDRESS

BY

M. L. DARLING, ESQ., I.C.S., LAHORE.

Ladies and Gentlemen,

The compliment you have paid me in electing me as your President is the greatest ever paid me in this country, and I thank you warmly for it.

The subject on which I propose to address you today is one which must occasionally exercise the minds of those who desire not merely material development but progress in the real sense of the word. This subject is the relation of economics to ethics, and as this conference is largely concerned with rural questions, and as my own experience has been mainly gained in the Punjab, the subject will be treated with special reference to village life in that province. It was a temptation to substitute religion for ethics, but though I must occasionally cross the boundary between the two, what I have in mind is ethics rather than religion. No doubt it is not easy to say where one begins and the other ends; but to most minds they connote different things. "Thou shalt not steal" is a good example of the one, and the Christian precept—"Thou shalt love thy neighbour as thyself"—an example of the other. The former states a rule of conduct which every decent member of society is expected to follow, and the latter an ideal which most members of society find it convenient to forget. Broadly, one may say that ethics is the schoolmaster and religion the seer, and that while religion derives from man's relation with God, ethics derives from man's relation with man.

The distinction between economics and ethics is clearer. If ethics derives from man's relation with man, economics derives



primarily from his relation with nature. Sir Josiah Stamp defines it as the study of man's behaviour in getting his livelihood. As such, it is mainly concerned with facts, while ethics is mainly concerned with values. Some would deny that there was any connexion between the two, that the one was a science and the other a code, and that for purposes of study the two should be kept rigidly apart. So far as the investigation of facts is concerned, this is undoubtedly right and must not be forgotten in what follows. But "the positive investigation of facts," as Stamp observes, "is not an end in itself, but is to be used as the basis of a practical enquiry in which ethical considerations are allowed their due weight."<sup>1</sup>

These words 'due weight' are the crux of the matter, and as they have been interpreted very differently by succeeding generations of economists, we must glance for a moment at the past in order that we may see the present in proper perspective. The economist of the Middle Ages, says Mr. Tawney, started "from the position that there is a moral authority to which considerations of economic expediency must be subordinated" and that there is "no place for any economic activity which is not related to a moral end."<sup>2</sup> In those days ethics ruled supreme and imposed a number of restraints upon the avarice of man, such as the prohibition of usury and the doctrine of the just price and fair wages. With the commercial expansion of the sixteenth century this supremacy was challenged, and by the end of the seventeenth century ethics could no longer dictate to economics. Shreds of authority, however, remained, for the doctrine of fair wages persisted into the eighteenth century and even Adam Smith, in urging that man should be "free to pursue his own interest in his own way," added the rider that he must "not violate the laws of justice."<sup>3</sup> In the intense competition of the nineteenth century, this fundamental principle of his teaching was forgotten,

<sup>1</sup> *The Christian Ethic as an Economic Factor*, 1927, p. 53.

<sup>2</sup> R. H. Tawney: *Religion and the Rise of Capitalism*, 1926, pp. 31, 39.

<sup>3</sup> *The Wealth of Nations* (Everyman's Library), p. 180.

and in the name of laissez-faire and the law of supply and demand, economics and ethics were almost completely divorced. With the twentieth century, set in the reaction that follows any extreme, and writers like Nicholson, Ashley and Toynbee began to doubt whether the divorce was good for either.<sup>4</sup> The war, which sprang from the divorce of both economics and politics from ethics, brought the whole question to a head, and now, as Tawney observes, "the line of division between the spheres of religion and secular business . . . is shifting . . . and the boundaries are once more in motion."<sup>5</sup> Some even of the old mediæval doctrines, so contemptuously rejected in the nineteenth century, are being revived. The trade unionist has taken up the doctrine of fair wages, the co-operator is busy with the problem of the just price, and only six months ago England passed a bill to control usury.<sup>6</sup>

But though in some respects the tendency would appear to be—back to the Middle Ages, it is not really so. In the Middle Ages, economic activities were dominated less by ethics than by custom. The core of this custom was necessity, for it was based upon the *enforced* association of individuals in more or less isolated groups, and only the outer crust was formed by religion or ethics. Custom gave way to expediency, whose rule is based upon the unfettered competition of individuals no longer compelled by their isolation to live and act together but each "free to pursue his own interest in his own way." By this rule our economic activities are now governed, but some who think it perilous would subordinate economics once more to ethics; not however to the old mediæval code framed by necessity and custom, but to a system of morality founded upon the *voluntary* association of individuals, acting freely together for common as well as

<sup>4</sup> See J. Shield Nicholson: *Principles of Political Economy*, 1901, -iii, 428 et seq.; W. J. Ashley: *Economic History*, 4th edition, 1906, i, 380-81; and Arnold Toynbee: *Lectures on the Industrial Revolution of the 18th Century in England*, 1906.

<sup>5</sup> *Op. cit.*, p. 4.

<sup>6</sup> Moneylenders' Act, 1927.

personal advantage; the best and most practical expression of which is the world-wide movement of co-operation.<sup>7</sup>

In India, too; the boundaries between economics and ethics are shifting, but in the contrary direction, that is to say, in favour of economics. For centuries the economic life of the country has been dominated by custom, which if not religious in origin, has in the passage of time become largely religious in sanction. The village of to-day is still mediæval in outlook and would probably accept the two fundamental assumptions commonly made by mediæval writers, that economic interests are subordinate to salvation which is the real business of life, and that the rules of morality are binding upon economic conduct.<sup>8</sup> The word "morality," however, it would regard as almost synonymous with custom, one example of which I may give you, as it illustrates the tendency when economic conditions become fixed for religion, ethics and custom to be fused into one. In a part of the Punjab, where a certain religious body had made some way amongst the cultivators, I asked the village headman whether the effect had been good or bad, he replied at once that it had been bad. And when I asked him, in what respect, expecting to hear of some deterioration of character, he added solemnly that the funeral feast on the thirty-ninth day after death was no longer observed. To my modern ear the reply sounded strangely, but to the peasant no doubt it was self-evident. Living a life which Hobbes describes as "solitary, poor, nasty, brutish, short" the peasant has been driven by necessity to think first and last of daily bread and has been too isolated, ignorant and helpless to suppose that this depended upon anything but the will of God. In the last thirty years, however, a change has set in and both core and crust show signs of crumbling. The spread of rail, road and lorry is breaking through the isolation of centuries, and the spread of canal, tank

<sup>7</sup> Cf. "Competition . . . of old . . . was hindered and controlled by custom; in the future, like the other great forces of society, it will be controlled by morality." (Toynbee, *op. cit.*, p. 250).

<sup>8</sup> Tawney, *op. cit.*, p. 31.

and well is mitigating both the poverty and the insecurity of the past. A higher standard of living is emerging, and with it the centre of gravity in the village is beginning to shift from the basis of divinely-appointed custom to the more dynamic basis of man-made economics. The process has not yet gone very far, but in the Punjab at least it is clearly discernible. I should have liked to describe it in detail, but time forbids, for after dealing with the present I wish to say something about the future.

It will make for clearness if Hindu, Muhammadan and Sikh are separately considered. I take the Muhammadan first. Islam impresses me after reading a substantial part of the Koran as essentially an ethical code, designed moreover for a people of simple habits, who lived mainly by pasture, a little by trade and hardly at all by agriculture and who were in constant danger of attack from their enemies. Its precepts, therefore, are extremely simple and as clear-cut as the outlines of the Arabian desert which gave them birth. The good Muslim must believe that God is one and that Muhammad is his prophet; he must pray five times a day, fast in *Ramzan*, pay the *zakat*, that is to say, give away every year  $2\frac{1}{2}$  per cent. of his moveable property, and if he can afford it, go on a pilgrimage to Mecca. These five duties are fundamental, and there is a sixth only less important—he must neither pay nor accept *Riba*. For my present purpose this is the most interesting, as it illustrates the close connexion in Islam between economics and ethics. Maulvi Muhammad Ali translates the word '*Riba*' as usury, and the most important passage on the subject he renders thus:—"Those who swallow down usury cannot arise except as one whom the devil has prostrated by his touch does arise." That is because they say, trading is like usury: and God has allowed trading and forbidden usury.<sup>9</sup> And we may also quote the further passage:—"O, you who believe, do not devour usury, making additions again and again."<sup>10</sup> Till recently these verses have usually been considered as prohibiting every form of interest

<sup>9</sup> *The Holy Quran*, pt. iii, ch. 2, 274.

<sup>10</sup> *Ibid.*, pt. iv, ch. 3, 129,

and not merely what is now commonly known as usury. There is nothing in this that need surprise any student of history, for in Europe it is only in the last 300 years that the taking of interest has not been considered a heinous sin. This view has its roots in the ancient world. Moses, the lawgiver of the greatest race of money-lenders in the world, allowed it only to one who was not a Jew. Plato and Aristotle condemned it without reservation. The great Roman Stoic, Cato, upon being asked what he thought of usury, replied by asking his questioner what he thought of murder. The Christian Canon law forbade the taking of interest altogether for any one who was not a Jew, and the prohibition continued in full force till the Reformation. Then, as the modern age developed, it was found more and more impossible to reconcile it with the immense expansion of commerce which took place on the discovery of the new world and the opening of the trade routes to India and the Far East; and by the end of the seventeenth century, after a prolonged and bitter struggle between the forces of economics and ethics, ethics accepted defeat, modified its code and allowed interest to be taken at will.<sup>11</sup> Islam, on the other hand, is still much where it was 1,200 years ago, as some think, with disastrous results to its development. The authors of "The Life of the Prophet of Arabia" regard this as one of the three leading causes of the decay of Islam. "At the present time," they say, "credit is indispensable to all great undertakings, and when bankers have become the real masters of the world, Islam by adhering with exaggerated rigidity to the text of this verse is momentarily reduced to financial and political ruin."<sup>12</sup>

Now the interesting fact to note is that the fortress of orthodoxy is being rapidly invested by modern forces and that within the fortress there are divided counsels. One party is for holding the fortress at all costs. This is typified by the reply of a maulvi to a member of the co-operative department who offered him alms,

<sup>11</sup> See *The Punjab Peasant in Prosperity and Debt* (2nd Edition), 1928, p. 196. by the writer.

<sup>12</sup> E. Diniet and Sliman Ben Ibrahim: *The Life of the Prophet of Arabia*, 1918, p. 304,

that he would accept nothing from one who served an organization which allowed the taking of interest. The other party is in favour of distinguishing between interest and usury and of allowing the one and forbidding the other. The question whether a Muslim may lawfully become a member of a co-operative society, which charges but does not pay interest, has already been decided by the highest Muslim authority in favour of the co-operative society.<sup>13</sup> This has brought the besieging forces perilously near the gates of the fortress, and it looks as if it were only a question of time before further ground would have to be surrendered. The man-at-arms on the walls with money in his pocket is already parleying with the enemy and many are even deserting. In fact, the Punjabi Muhammadan is beginning to take interest like any ordinary moneylender. The Khojas of Chiniot and Sharakpur have long been known for this and are said to be even more exacting than the Hindu Sahukar. In excuse for the Khoja it may be said that he was once a Hindu and has always been a trader. But it is not the Khoja only who takes interest. The Pathan moneylender has penetrated as far as Ceylon, and all over the Punjab the Muhammadan peasant with spare cash is beginning to advance loans at interest. At first, to satisfy his conscience, he will probably take it indirectly in service or in kind; but having once admitted the thin end of the wedge, many find it convenient sooner or later to take it in cash. The higher standard of living, to which I have referred, is difficult to maintain and money-lending offers larger returns than any other form of business open to the cultivator. The temptation, therefore, is irresistible and ethical principle is obliged to give way to economic advantage.<sup>14</sup>

There are other tendencies in modern Islam which reflect the influence of the economic forces of the day, for instance, the tendency towards monogamy, the weakening of the pardah system, the difficulty of combining the *zakat* with a higher standard of

<sup>13</sup> See *Annual Report on the Working of the Co-operative Societies of the Federated Malay States, 1925-26*, pp. 12, 13.

<sup>14</sup> See *The Punjab Peasant*, *op. cit.*, p. 227.

living and the *Ramzan* fast with a higher standard of work; but there is no time to deal with them to-day, and we must now pass on to Hinduism.

Here we enter a totally different atmosphere, and one so elusive and so pervasive that it is difficult to describe it in a few words. In Islam, the Westerner who knows his Old Testament and is at all familiar with conditions in the Middle Ages finds nothing that he cannot quickly understand. But in Hinduism he finds almost a new world. On the one hand, he is conscious of conditions which he supposes may have existed when his remote ancestors worshipped stocks and stones, and on the other, he may at any moment find himself caught up to transcendental heights where he can scarcely breathe. The transition is often as abrupt as the change from plain to mountain in the Punjab, and recalls to my mind the first time I found myself speeding in a train from Lahore to Ambala. Looking out upon the endless flat empty spaces around me, I felt almost as if I beheld infinity, and the chill of the primitive void entered my heart. But suddenly I became aware of the most amazing sight. The Himalayas stood before me flushed with the setting sun, and instead of infinity I beheld eternity. In dealing with the peasant we are entirely upon the plain and rarely, if ever, do we catch even a glimpse of the hills. Indeed, we should hardly know that they existed but for the sight of two mighty rivers which have their source in the distant heights and profoundly influence conditions on the plain. One is the river of Karma, and the other the river of Pantheism. Some would call the latter polytheism, as it is split into innumerable channels each dedicated to a different god. Apart from the influence of these two streams, we may say that the Hindu peasant's ethics and religion—in his case the two are almost indistinguishable—have been moulded entirely by his surroundings, and to such effect that it has been observed that “a Hindu eats religiously, drinks religiously, bathes religiously and sins religiously.”<sup>15</sup> In other words, in Hinduism, religion, ethics and

<sup>15</sup> Quoted by Inge, *Outspoken Essays* (2nd Series), 1925, p. 68.

economics are fused into one, and so entirely fused that the result is a way of life distinct from every other way of life in the world. In this fusion, so far as the peasant is concerned, much the most important element is economics, and we may say that three-fourths of his religion derives not from God with a capital G but from nature with a very big N. Sir Alfred Lyall, once Lieutenant-Governor of these provinces, observes in his *Asiatic Studies* that nearly all Hindu practices that have obtained the sanction of religion "are really founded upon some material interest." Many of them, he says, have become in course of time so overgrown and concealed by the religious observance in which they were originally wrapped up, that it is now very difficult to extract the original kernel of utility.<sup>16</sup> A curious example of this is the practice of *sati*, which, according to the high authority of Sir Henry Maine, was "connected with the desire of the husband's family to get rid of the widow's right . . . to a tenancy for life upon her husband's land."<sup>17</sup> That the influence of economics upon popular Hinduism has been profound admits of little doubt, and it is due to the fact that, as Lyall points out, a natural religion merely reflects and records mankind's lot upon earth.<sup>18</sup>

Those of us who come from western Europe, where a kindly, if fickle, nature has to a great extent been subdued to the purposes of man, find it difficult at first to realize that for the Indian peasant nature is a goddess of overwhelming power and incalculable caprice, in whose hands he is as completely powerless as a subject in the hands of a pitiless despot. But, as a despot may be humoured, so may a goddess be placated. Hence the birth of innumerable rites and superstitions, which are a feature of all natural religions and from which few of us are entirely free. These superstitions, says Lyall, "were the shadows and phantasmagoria of human passions, and of inexplicable calamities from the earliest times"; and with remarkable perception he adds:—"we are changing the

<sup>16</sup> *Asiatic Studies*, 1899, i., 76.

<sup>17</sup> *Ibid.*, p. 74.

<sup>18</sup> *Ibid.*, p. 87.



whole atmosphere in which fantastic superstitions grow and flourish," and "we may expect that these old forms of supernaturalism will suddenly thaw and subside without any outward stroke upon them and without long premonitory symptoms of internal dissolution."<sup>19</sup> This is just what is happening at the present moment in the Punjab, and the thaw is most pronounced in the centre of the province, where economic progress is most advanced. And it is not only superstitions that weaken. Take, for instance, the idea of *kismet*, an idea rooted deep in the mind of man wherever he feels himself entirely in nature's grip. In the outlying parts of the province, where there has been little economic change and the harvest is a gamble in rain, it is as deeply rooted as ever. But in the canal colonies, where for the first time in his life the Punjab peasant sees nature partially subdued to his purposes and yielding her increase not simply "as God wills" but as man labours, we find the beginnings of a new outlook which is vividly expressed in the remark of a colonist—"Where the water is, there is God."<sup>20</sup>

We may say then that no important economic change can take place without influencing popular Hinduism. This raises the interesting question whether the change that is now taking place will affect the sanctity of the cow, which is one of the central doctrines of Hinduism. "Call it prejudice, call it passion," said a Hindu to Miss Mayo, "call it the height of religion, but this is an undoubted fact that in the Hindu mind nothing is so deep-rooted as the sanctity of the cow."<sup>21</sup> In a sense it may almost be said that Hinduism has translated the cow from the field to the temple. Once the centre of the economic life of the country, she has become the Alpha and Omega of religious life. Is it possible to get her back from the temple to the field? Let us see how the Punjab peasant is answering this question which is of such importance to the future of Indian agriculture. Again there is

<sup>19</sup> *Ibid.*, p. 317.

<sup>20</sup> *The Punjab Peasant*, *op. cit.*, p. 172.

<sup>21</sup> *Mother India*, 1927, p. 208.

a marked difference between the more developed parts of the province and the more remote. In the former, with its higher standard of living, the Hindu, pressed no doubt by economic necessity, has begun to realize that he cannot afford to maintain old or bad stock in his byres. So, when the stock-dealer appears at his gate, the barren cow is untied and led forth to the chink of rupees, and no questions are asked as to her destination. An inquiry was recently made in ten villages belonging to Brahmins, Rajputs, Jats, Sainis and Labanas, all Hindus, to discover the number of disabled and useless cattle maintained on religious grounds. It was found that not a single bullock was kept which was unfit for work and that the moment an animal drops its yoke, the earliest opportunity is taken to get rid of it. "The agent for the butcher," states the report, "is always at hand to help in the work of removal," and it adds that "life without vitality or capacity of work has lost all significance of sanctity for the farmer, be he Brahmin or low caste Hindu." Inquiry was also made to discover how many cows there were in these ten villages which had given no milk for 18 months and had shown no signs of calving again. Only two were found, though the villages contained over 500 cows, and of the two one was kept by a Muhammadan. Inquiry at the only *gaushala* in the Gurdaspur District shows that only 14 animals have been received from villages in the last four years. Said the manager, "it was not so in the good old days: the Jats have become butchers and the villagers have established direct connection with the slaughter-house." A minor change which points in the same direction is that a generation ago there was hardly a Hindu who did not set aside a portion for his cow before sitting down to a meal, but now there is hardly one in a hundred who does this.

It must not be supposed that these conditions apply throughout the province. From a southern district comes the story of a man who was outcasted because he sold a cow to the butcher, and of another whose acting in this way nearly produced a riot. In Hissar there is a panchayet to suppress the practice, but the very

fact that a panchayet is necessary suggests the existence of a problem, and it is reported that many Hindus now try to dispose of their worthless stock secretly.

I come now to the Sikh. Sikhism stands midway between the all-pervading naturalism of popular Hinduism and the clear-cut theology of Muhammadanism. Cunningham in his *History of the Sikhs* describes it as "the seal of the double dispensation of Brumha and Mahomet,"<sup>22</sup> and as such it provides an interesting field for the study of the inter-action of economics and ethics. Of this I have only time to give you two examples. One touches a habit which is regarded by most of us, not perhaps quite dispassionately, as almost entirely innocuous: I mean the habit of smoking. It is characteristic of the hard-headed practicality of the Sikh that his religion absolutely forbids it. In this some may be inclined to see the excessive zeal of the Puritan rather than the restraining wisdom of the moralist. But in parts of the Punjab the use of the *hukka* is almost a vice. A year ago enquiry in a Rajput village showed that a population of 824 spent something like Rs. 1,200 a year upon tobacco; and it was estimated that if smoking were stopped for 25 years, enough would be saved to give the village a small dispensary, a veterinary hospital and a middle school, and even to pave the village lanes. When this was brought home to the people, they decided to form a co-operative Better Living Society to wean themselves from the habit of smoking. This case may not be altogether typical, but a good judge estimates that a Sikh with an average holding saves in tobacco enough to pay his land revenue, and what is even more important, he saves a great deal of time. The prohibition is in fact a good illustration of the beneficent effect of ethics upon economics, and to it and to the custom of early rising, also enjoined by the Sikh religion, may perhaps be attributed the pre-eminence of the Sikh *Jat* as a cultivator. It is, therefore, a little ominous that, yielding to the economic pressure of a higher standard of living, an appreciable

number are beginning to grow tobacco, a thing never done before by the Sikh.

My second example deals with the more vital question of birth control. "The time has come," says Mr. Keynes, "when each country needs a considered national policy about what size of population . . . is most expedient."<sup>23</sup> This policy the Sikh of the central Punjab is beginning to frame for himself. For instance, inquiry shows that in a village in Gurdaspur a midwife has rendered 150 women incapable of bearing any more children. None was treated, without the consent of her husband and unless she had at least three sons. The practice, it seems, began 10 or 12 years ago and is increasing fast. As my informant says, "a new current has set in and is on the swell." On asking one of those concerned why he did not desire more children, he received the reply—"because more sons will have no land to cultivate and I don't wish to make beggars of them all." He then quoted the proverb—"Too much rain reduces the crop; too many sons bring reproach." The remark of another peasant explains the practice in a nutshell. "Every son," he said, "comes with a share written on his forehead." In a country in which holdings are very small and each son is entitled to a share in his father's land, one can understand that to see a fourth or fifth child appearing with a share written on his forehead may fill a man with dismay. I am informed that while the Sikh religion is silent on the subject, the Hindu Shastras definitely forbid the practice. Whether this is so or not, it certainly raises an important ethical issue. So far as the West is concerned, it is a particularly good example of the influence of economics upon ethics. Twenty years ago, the practice was almost universally condemned by ethical writers of the orthodox school. But now, so difficult is it to maintain anything approaching the old standard of living, that orthodox opinion has been compelled reluctantly to change its attitude and if not to bless at least no longer to curse.

<sup>23</sup> J. M. Keynes : *The End of Laissez-Faire*, 1926. p. 49.

I have perhaps said enough to show, firstly, that there is in this country an unusually close connexion between economics and ethics, and secondly, that the nature of the connexion varies with the religion. With Islam, ethics has largely dictated to economics; but with Hinduism economics dictated to ethics, till the Brahmin arose and set economics like a fly in the amber of the Brahmanic religion, where it has stayed for over 2,000 years. Now new and powerful economic forces are at work and the boundaries between economics and ethics, once regarded as immutable, are slowly beginning to shift. Islam is faced with the question of interest, Hinduism with the question of the cow, and sooner or later both must face the question of birth control, if they desire an escape from the poverty of the past, for at present men are multiplying too fast to be anything but poor. In the past, both Hinduism and Islam cared little whether a man was rich or poor. That he must live was of course admitted, but that he required anything more than the bare necessities of life was never seriously considered. The Hindu was taught to regard the material world as *Maya*, and the Muhammadan to fix his mind upon the compensations of paradise. That one-fifth of the human race was desperately poor and exposed to the slings and arrows of what was often quite outrageous fortune mattered little compared with the importance of observing religious precept and custom. The justification for this was that poverty appeared inevitable and custom inexorable. But now the spread of road, rail and canal is mitigating the one and the diffusion of knowledge undermining the other. The question, therefore, arises—what should be the peasant's attitude towards the change? Should we counsel him to cleave to his religion and be content with his poverty, assuring him that that is the path of salvation? Or following Western example, shall we advise him to dethrone custom in favour of expediency and abandon ancient laws and fealties in favour of comfort and a higher standard of living? Or profiting by the mistakes of the West, shall we bid him pay no homage to expediency and wealth but follow the inspiration of a morality

based no longer upon necessity and superstition but upon economic freedom and religion? These are far-reaching questions touching at one point the modest household lamp and at another the eternal stars.<sup>24</sup> And in my opinion they can only be satisfactorily answered by Indian minds, for in the sphere of religion and ethics it is only the Indian mind that can gauge what India needs. All, therefore, that I propose to do now is to indicate possible answers in the hope that some of you may be led to search both heart and mind to find the true answer.

The first point that I would emphasize is that in India about 225 millions are dependent upon agriculture and live under conditions which, *unless fundamentally changed*, are quite incompatible with anything like a European standard of living. Those who dislike fundamental changes—and the peasant is everywhere intensely conservative—may prefer to make a virtue out of necessity and aim at developing to the utmost the qualities that spring from poverty when voluntarily accepted. In the days that Christ walked the earth, poverty was regarded by many amongst the Jews “as the price of faithfulness to the divine law” and “as the guarantee of divine recompense and salvation”;<sup>25</sup> and throughout the ages in India poverty and saintliness have gone hand in hand. But however consonant this may be with Indian tradition, it may be doubted whether the gospel of poverty will appeal to the peasant once he realises that the more material blessings of life are within his reach. And it is certainly not a gospel that the ordinary Westerner can advocate with any feeling of conviction, for in the West material well-being has long been regarded as of cardinal importance. “Some people,” said Lord Buckmaster, “talk about the ennobling effect of a struggle with poverty. The people who talk like that have never known the struggle. It is the most degrading, the most demoralising struggle to which a human being can be put.”<sup>26</sup>

<sup>24</sup> “They laugh not only at our modest household lamps but also at the eternal stars” (Rabindranath Tagore, *The Wreck*, p. 108).

<sup>25</sup> F. C. Grant: *The Economic Background of the Gospels*, 1926, p. 122.

<sup>26</sup> Speech in the House of Lords on a Bill to facilitate birth-control.

The gospel of poverty, therefore, is not likely to be accepted. Are we then to advise the peasant to give full play to the economic forces of the day and in the conflict between economics and ethics to side with the economist and not with mullah or pandit? Shall we encourage him to multiply his wants and add to his possessions and in the struggle for wealth strive to outstrip his neighbour? Shall we develop the acquisitive, the possessive and the competitive instincts on the ground that the end is prosperity and the means hard work? For, if the gospel of poverty is allied to saintliness, the gospel of unlimited gain, as we may call it, is allied to efficiency. Before you decide to do this, you will do well to remember that it is not a gospel that commends itself to the two most remarkable Indian personalities of the day. Mahatma Gandhi's attitude is familiar to all and Sir Rabindranath Tagore's is not very different. The ancient culture of the East, he says, is "the culture that enjoins man to look for his true wealth and power in his inner soul."<sup>27</sup> More significant perhaps, because coming from the West itself, are the judgments of Dean Inge and Mr. Keynes, the first, one of our foremost thinkers, and the second, our leading English economist. If, says the Dean, he were asked to state in a word the cause of "the universal discontent and malaise which have overtaken Western civilisation," he would answer "Secularism."<sup>28</sup> And of modern capitalism, Keynes says that it is "absolutely irreligious, without internal union, without much public spirit, often, though not always, a mere congeries of possessors and pursuers." And he adds in words which are singularly appropriate to our subject:—"One begins to wonder whether the material advantages of keeping business and religion in different compartments are sufficient to balance the moral disadvantages."<sup>29</sup>

With these judgments before us can we doubt that the gospel of unlimited gain should be rejected? Think for a moment of

<sup>27</sup> *Nationalism*, p. 52.

<sup>28</sup> *Op. cit.*, p. 149.

<sup>29</sup> *A Short View of Russia*, 1925, p. 25.

the danger of arousing<sup>d</sup> the acquisitive<sup>a</sup> instincts of 320 millions. It would be sufficiently dangerous if there were enough to go round, but as this is unlikely within any measurable limit of time, the effect will be to enrich the few and infect the many with a deep unrest, which may have most explosive results.

What then is left to us? Is there no alternative between the gospel which says to the peasant—you are poor and poor you must remain, but because you are poor you are more content than those who are rich and some of you may even become saints: and the gospel which says—work your hardest, gain all you can, and though you may not be happy or content, you can become prosperous and efficient? I think that there is an alternative, and suggest that it is the gospel of sufficiency. This is the gospel preached by St. Paul. “Having food and raiment,” he says, “let us be content therewith, for the love of money is the root of all evil.”<sup>30</sup> And it is expressed even better by Solomon: “Give me neither poverty nor riches; feed me with food convenient for me; lest I be full and deny thee, and say, who is the Lord, or lest I be poor, and steal, and take the name of my God in vain.”<sup>31</sup> In more modern phrase it may be expressed in the English proverb—Enough is as good as a feast. In its simplest aspect the gospel postulates that there should be a limit to a man’s wants. I remember once suggesting to a businessman that he should decide how much money he wanted for himself and his family and that having reached that figure, he should either stop making money or make it for others. He admitted candidly that it was impossible, and most businessmen, if equally frank, would probably make the same admission. Yet we have the case of Ernest Abbé, the son of a spinning mill operative, handing over the great Zeiss works, where the famous field glasses are made, to a trust, to which he also transferred, so far as the German law allowed, his entire personal estate, merely retaining for himself a post on the works’ Board of Management. The result was the

<sup>30</sup> Proverbs, xxx, 8,

<sup>31</sup>



introduction into the works of a number of measures for the benefit of the workers 20 years before they were commonly adopted elsewhere.<sup>32</sup> You see that the gospel of sufficiency, to which we must now add service, has a message for the industrialist as well as the peasant. It has indeed a message for us all.

Some, perhaps, may think it too soft an ideal to be placed before a virile peasantry: but this overlooks the fact that in every relationship of life it implies a degree of self-restraint which is most rare. Nor does it in any way mean that a man should stop working after he has accumulated sufficient for himself and his family, but only that he should start accumulating for others. The seed of this is contained in the Muhammadan rule of *zakat* and the Sikh rule of *Dasaundh*. Unfortunately these rules have largely fallen into abeyance, but if they could be revived, and extended to embrace service as well as money, and if both could be applied to objects of common good, for example to schools, hospitals, tanks, gardens, trees, we should find that the gospel of sufficiency and service made quite sufficient demands upon the character of even the most virile.

Let us now apply this gospel to the village. In the East, house and clothing are much less important than they are in the colder West, but this does not apply to food. We must, therefore, try and secure to the peasant a sufficiency of food. That is axiomatic. What more does he want? His village is usually little better than a dung heap, and his houses are often far from clean. We must therefore try and get him to keep both house and village clean. Allied to cleanliness is health. This must obviously be included in our gospel: also sufficient education to protect him from the parasites that have preyed upon him in the past and to exorcise the fears, supernatural and otherwise, which in many parts of the country dominate his mind. Food, cleanliness, health and a simple and appropriate system of education are all therefore aims to be worked for by the peasant.

<sup>32</sup> See the writer's article on the subject in *The Irish Economist*, July, 1928.

But how, it may be asked, does this differ from the gospel of gain, which would also prescribe these as desirable ends? The difference at the outset is mainly one of emphasis. With the gospel of gain, the emphasis is laid upon the acquisition of money, while with the gospel of sufficiency it is laid upon the acquisition of specific goods so carefully selected as to be almost identical with good itself. The conventional attitude at present in persuading the villager to adopt some new nostrum or make some greater effort is to try to convince him that it will bring him more money. A sounder attitude would be not to appeal to the money-motive at all, but to inspire him with the desire for a cleaner village, better health or some form of education and then come forward with the nostrum as the means to that end. In this way his mind will not be centred upon money, which may be a root of evil, but upon something so worth having that he will willingly make the necessary effort to obtain it.

Ultimately there is a difference of much more than emphasis between the two gospels. When, for instance, a man has acquired what he wants for himself and his family, he will be urged to spend his superfluity upon the support of those less fortunate than himself and upon the improvement of his village. And as his needs will be few, he will be taught to desire quality rather than quantity, beauty rather than ugliness. Recently I paid a surprise visit to a hamlet in a remote part of the Punjab occupied by simple and certainly not prosperous peasants. Entering their one-room houses, I found interiors so scrupulously clean, so neatly arranged, and so appropriately furnished with just the things required for their simple life, that I was instantly reminded of the interiors beautifully painted two or three hundred years ago by Dutch artists. This was a case of sufficiency allied to poverty and even to beauty. A little later I was in the fort at Delhi and there I saw the *Shah-Nishin* of the Emperor Shahjahan—a most modest room with an almost complete absence of furniture but everything in it—rugs, cushions, *kukka*, dagger and sword—beautiful of its kind. Here again was no superfluity but every-

thing appropriate to the station of a man who ruled an Empire. This was a case of sufficiency allied to wealth. In contrast I recall a visit to a wealthy and most hospitable landowner, who had furnished his guest house in European style. The drawing-room was blocked with furniture—tables, chairs, sofas and every kind of ornament, knick-knack, and photograph, the last in immense and no doubt costly silver frames. Here was a case of superfluity allied to wealth and producing an almost suffocating feeling upon the mind.

It may be said that it is unnecessary to preach to the peasant any gospel at all and that his future may be left to the play of natural forces. This would be in accordance with the standpoint of the nineteenth century in the West, but, as we have seen, the twentieth has begun to think differently. In India, we may well begin to think differently too, for a system of economics divorced from ethics is likely to do more harm than good and to end in the exploitation of the many by the few, if not in worse. For agriculture is more than the mere gaining of a livelihood: it is a way of life which touches mind and spirit far more deeply than the pursuits whose sole object is gain. Economics and ethics should, therefore, be inter-linked, and this is what the gospel of sufficiency and service does; for sufficiency is mainly concerned with economics and service with ethics. If I seem to some of you to have dwelt upon the latter more than was fitting in an assemblage of economists, I would remind you of the dictum of an eighteenth century Bishop. "Whatever the world thinks," wrote Bishop Berkeley, "he who hath not much meditated upon God, the human mind, and the *summum bonum*, may possibly make a thriving earthworm, but will most indubitably make a sorry patriot and a sorry statesman."<sup>33</sup>

<sup>33</sup> Quoted by Tawney, *op. cit.*, p. 284.

## REPORT OF DISCUSSIONS

FOR PAPERS READ, SEE PROGRAMME)

*3rd January, 1928*

*Subject—*AGRICULTURAL ORGANISATION

*Mr. Tannan :*

Speaking about the provision of capital for short term, he observed that the Provincial Co-operative Banks have done a lot, particularly in the Bombay Presidency. It has been found that at certain times of the year we have more funds than we can lend to our own Province and therefore we lend to the other Provincial Co-operative Banks.

Regarding the relations between the Co-operative and the Provincial Co-operative Banks he observed that in Bombay Presidency these seem to be quite satisfactory. They transfer funds from one another in times of need and moreover they have excellent arrangements with the Imperial Bank of India.

*Mr. B. Mukherjee :*

Mr. B. Mukherjee (Lucknow) referred to the usual complaint that co-operation in India was extremely one-sided and that the over-emphasis laid on the credit side of the movement in India was a source of its weakness. Mr. Mukherjee said that there was nothing wrong in it inasmuch as the size of agricultural indebtedness was far too big in India and it was one of these most important problems which needed immediate attention. That however did not mean that we did not sufficiently care for all the other forms of co-operation. These other forms of co-operation are now, as a matter of fact, receiving close attention and in time they will form a very respectable part of our co-operative organization.

Mr. Mukherjee next referred to the extremely backward condition of the co-operative movement in the United Provinces, and said that this was one of the causes which led the Oakden Committee to suggest caution in the way of new experiments like Land Mortgage Banks. The Committee thought that before venturing on new experiments it would be more desirable and far more prudent to consolidate the position of the primary societies and to improve the foundations first before we thought of putting on new structures.

Mr. Mukherjee regretted that while all the other major provinces in India have got an apex bank the United Provinces are still without one. This, Mr. Mukherjee was afraid, was due to the exaggerated apprehensions of a glut of idle money in slack seasons. This is a problem which has been solved in all the other provinces and solved without much difficulty but here in the United Provinces we are over-cautious. We are appalled by imaginary apprehensions and we are merely fighting phantoms in the clouds.

Mr. Mukherjee condemned the mixed banking suggested by Dr. J. C. Sinha and said that the business of short-term and long-term credit could not be conveniently or safely controlled from the same institution. Mr. Mukherjee concluded by saying that what we wanted for co-operation in India now was leadership. It is the personal equation that would count. We wanted not measures but men.

*Professor Doraiswami Iyer:*

I was much interested to hear that in the United Provinces a Provincial Co-operative Bank has not been started on account of the fact that there might be a glut of money. In Madras in the Provincial Co-operative Bank there is a large amount of unutilised capital which does not find employment, the reason is that agriculture had been suffering during the last four or five years on account of a world movement in favour of higher prices of manufactured goods as against prices of agricultural commo-

dities. With reference to the Central Reserve Bank in India, it is quite true that this being an agricultural country the Central Bank must help other small banks, the main function of the Reserve Bank being the regulation of Currency. Means must be devised for enabling the Central Bank to meet the exigencies of increasing and decreasing seasonal demand of money in agriculture.

*Prof. Guleri:*

Prof. Guleri from Lyallpur drew attention to the fact that the subject of marketing had not yet been closely investigated and no systematic inquiries had been conducted except those organised by the Indian Central Cotton Committee in Bombay, Berar and the Punjab. He said that a beginning in the direction of co-operative marketing had been made in the Punjab by the formation of co-operative commission shops for the disposal of the produce of members of Co-operative Societies. These societies of which there were more than a dozen have attained a measure of success and a big zamindars' society at Okara, one of the important Colony cotton markets, had been doing considerable business. He emphasised that the question of marketing was inextricably mixed up with that of transport and he felt that no improvement of marketing could be expected without a development of rural transport. This was a very big question which involved a consideration of the comparative merits of the extension of the Railway, the road, motor, tramway or trolley transport. From his observations he was being impressed by the fact that apart from its undeniable utility in the village and field economy, the bullock cart must go as a method of transport to the market.

*Professor Myles:*

Referring to the subject of agricultural marketing he observed that as regards the measure of crops he found 5 seers measure for one crop and 10 seers measure for another and at another Mandi he saw two big stones which perhaps represented a maund.

A detail and intensive enquiry was necessary before we frame definite recommendations.

*Dr. Radha Kamal Mukerjee:*

Speaking about the marketing of sugarcane in the United Provinces he calculated the changes of the growers' income as follows:—Rs. 6 for carriage, Rs. 2 for the service and say Rs. 13 for commission. That is, in all 21 rupees out of Rs. 150 of *gur* sold. This comes to 14 per cent. The Assistant Registrar of Co-operative Societies of this Province is also studying the organisation of marketing and his report has all been submitted to the Government as regards mortgage credit. The tendency of increase of mortgage debt is manifest in every part of India. Take for instance the Punjab. The aggregate debt in the Punjab comes to about 350 millions sterling. The value of area mortgaged is Rs. 5,92 lakhs and the mortgage debt discharged is Rs. 3,70 lakhs. Now let us take Bihar. In the district of Champaran we find that the areas mortgaged were 25,235 acres during the last Settlement; at the present Settlement the area mortgaged increased to 104,552 acres. With fractionalisation, we have smaller agricultural outturn per acre and hence the proportion of mortgage in relation to ordinary debt seems to be on the increase everywhere. This is a symptom of agricultural decline. The money-lender wants the security in the form of land, not in the form of crop-yield or live-stock. Thus the land-mortgage bank becomes indispensable. But its success depends upon the security of the cultivation rights in land.

*Dr. J. C. Sinha:*

Replied to the points raised on his paper by previous speakers in the following words:

“ There is apparently some misapprehension in the minds of the previous speakers. I never suggested that long-term financing should be mixed up with short-term financing. All that I said was that these two functions should be carried on in two different

departments of the same Central Bank. The ryots require both short and long-term loans. Would not there be a better control over these two types of loans if they were granted by the same institution? If we follow the advice of the King Committee on co-operative societies in the C. P. and maintain separate ledgers for the two types of loans and adopt certain other safeguards, the danger of mixing up short and long-term credit may be avoided.

Another argument is based on actual experience. We all know that in Germany commercial and industrial banking are carried on in the same institutions but there is no mixing up of the two functions. In Bengal, the only co-operative land mortgage bank, the Naogaon Ganja Mahal Co-operative Bank, has been carrying on short credit and long credit operations. The loan offices in Bengal, about which I spoke to you, are also doing the same. Some of them are quite successful, judging from the handsome dividends paid to shareholders. The failure of the separate land mortgage societies in Burma shows that the danger lies the other way about."

*Dorji Lal Dubey :*

Said *re* Dr. H. C. Seth's Paper on "Agricultural Credit":—

One suggestion made in order to extend the benefits of long-term credit facilities to tenants is the necessity of the modification of the Tenancy Acts of the various provinces with a large body of tenantry with a view to make the tenants' rights such as occupancy or statutory, mortgageable, saleable and otherwise transferable. That the security of tenure deliberately conferred by the Government as in the case of proprietary rights in the land, with freedom to mortgage and sell, has not been well utilised by the landholding and cultivating classes is well evidenced by the huge and chronic indebtedness of rural classes who, using land for the enhancement of their credit, have freely contracted unproductive loans and fallen into the meshes of the money-lenders with so disastrous consequences to themselves as to necessitate state



interference by legislation on their behalf in order to put restrictions on their power of alienation. The accrual of the right of free transfer, sale and mortgage to tenants is bound to be followed by similar consequences in the case of these holders of subproprietary rights. That the apprehensions of abuse are real, and not imaginary, is further corroborated by the recent tendency of the Agra Tenancy legislation to restrict the mortgageable rights of secure tenants from 5 years to 3 years. The existing tenancy legislation, moreover, not allowing *perfect* freedom to tenants in the matter of introducing permanent improvements in their holdings it would be putting the cart before the horse to permit them to use their holdings for raising loans for the improvements which they are not permitted by law to carry out. Then, there is the fear of the land fast passing into the hands of the non-agricultural classes. Finally, the modification of tenancy law in the direction desired is beset with so many administrative difficulties. These tenants' rights in most cases are largely a result of delicate adjustments and compromises between the right of the landlords and the tenants. Any steps of the nature proposed, sure to result in the diminution of the value of the proprietary holdings of the landlords, and without any compensating advantages to them, are bound to be most seriously resented by the landlord classes in all provinces. The only mobile security of tenants can be their investments in the Debenture Stock of these land banks, or any other Reserve funds proposed by Dr. Keatinge for different purposes.

*Dr. H. C. Seth:*

As discussed in the paper the short-term credit should be based upon the 'temporary' wealth created on the farm. The desirability of accepting the gold and silver ornaments as security for the short-term advances by the co-operative credit societies should be seriously considered.

The cultivator's possessions in the shape of land, buildings and other forms of permanent improvements should be left free to be

used as a basis for long-term loans, required for the redemption of old debt or for making permanent improvements on the land.

In connection with the organisation of land-mortgage banks for long-term credit, it is necessary that they should not be state institutions though state aid may be necessary in the beginning in the form of a guarantee of interest on debenture or its buying part of the debentures.

These banks should be based on the joint liability of the properties mortgaged. The liability of a member should be limited to the specific property mortgaged.

As regards their relation with the existing co-operative credit machinery, it may be desirable in the beginning at least that the Provincial Co-operative Banks should take up the financing of these banks by raising the necessary debentures. But it will be necessary to start independent local and mortgage banks or associations at suitable centres. The co-ordination between the activities of the mortgage bank and the co-operative society, as suggested in the paper, will lie in the fact that the advances by the banks will be made to the members of the co-operative society only after the recommendation of the society.

*Prof. S. Kesava Iyengar:*

In reply to the discussions on his paper on "The Virtues of Compulsion in Rural Economic Development," Mr. S. Kesava Iyengar (Hyderabad) said that for rural economic development speeding up of the administrative routine was absolutely necessary, and the time limit laid down in the Mysore Village Panchayet Regulation was a healthy obligation laid upon the officials who came in touch with rural life. He pointed out how the Public Health Report for India was published nearly two years after the year under report, and now the real reason for it was the delay in the submission of district and provincial reports. The principle of compulsion was being resorted to in urban areas, and it was high time it was applied to rural areas.

Touching upon the question of marketing in rural areas, Mr. Kesava Iyengar said that the results arrived at by Dr. Radha Kamal were of the same kind as those found in South India—specially in the areca-nut and cardamom trades.

He entirely differed from the view that the bullock-cart should be dispensed with by the Indian ryot. Indian circumstances were such that for centuries we could not possibly think of doing away with the bullock-cart.

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*4th January, 1928*

*Subject*—AGRICULTURAL ECONOMICS

*Mr. Madhava:*

Remarked that as a Statistician and Mathematical Economist he would confine his remarks on Dr. Mukerjea's very interesting paper to questions of method only. Considerable use had been made in the paper of an index of aridity as expressed by Prof. Martonne. Now aridity was a qualitative phenomenon and the expression of it as a ratio of precipitation of rainfall divided by a constant addition to observed temperature, would be giving to it a formal quantitative form alone. Adequate weighing must be given to the distribution of the rainfall, and similarly the 10 degrees centigrade addition determined by western conditions must be replaced by a constant appropriate to Indian conditions. It was well-known that the seasonal deposit of rain mattered much and not merely the total rainfall as was taken account of in the numerator of this ratio. Also this ratio, which is qualitative in nature, is being correlated with percentage of area under cultivation, which again is a quantitative fact affected by several other considerations. This method has unfortunately gained some currency in this country on account of its utilisation in the Census Reports, particularly of those by Messrs. Jacob, Thompson and

Sedgwick. The appropriate series to compare aridity with would appear to be what may be called "an index of productivity." Turning to another matter, it appears that considerable attention is given to the determination of "optimum" conditions. Now the method of statistical analysis is not confined only to the determination of central tendencies, but what is more important is to discover the laws governing scatter or dispersion from these optimum conditions as in real life there were more often departures from, than concordances with, optimums. Biological sciences had greatly advanced by the study of variations, and the application of the statistical method to economics must include this aspect of the study also, and the ecological survey is not complete unless we can state what departures in productivity, or even in range of cultivation, follow from given departures from the mean index of aridity, results which are given by regression equations. Finally, it is necessary before making the far-reaching remarks on the value of canal irrigation such as are made in the paper, that the data should be extensive, reliable and homogeneous. These remarks are made from the point of view of methodology, but they do not distract our admiration from the very interesting paper that Dr. Mukerjea had produced.

With reference to Mr. Ganguly's paper only one additional remark seems necessary, and that is that double-cropping in the fields is not only dependent upon over-population. It is obvious that many factors influence and are in turn influenced by this. In that case we have to deal with what is called a function of many variables. In spite of it, if the study is to be confined to these two variables only, so that their mutual relationship may be ascertained for a constant set of other variables, we have to seek the aid of what is called in statistical parlance, the method of partial correlation, and the value of this paper will be greatly enhanced by including this method of approach.

*Dr. Pramatha Nath Banerjea:*

Said that as India was an agricultural country, Agricultural

Economics should receive the earnest attention of the economists. He congratulated Dr. Radha Kamal Mukerjee for the excellent paper he had produced. Canal irrigation was not the only protection against famines. We must also distinguish between short and long period effects of canal irrigation.

*Mr. Doraiswami Iyer:*

Said that the opening up of areas by means of irrigation and adopting the prevailing methods of husbandry were not beneficial to the country. We must adopt such methods as may raise the standard of life. Secondly, irrigation investments might not be altogether profitable, because areas so developed are subject to greater uncertainty from rainfall.

*Professor Myles:*

Appreciated Mr. Bhatnagar's paper and emphasised the necessity of utilising the existing methods of agriculture. He said that the American steam plough was out of question. With regard to irrigation he said that the short and long period question was very important. In the Punjab there were also the problems of rise of the *water-table* and *water-logging*.

*Mr. Kesava Iyengar:*

Gave two instances—of protecting areca-nut against rotting and of the common plough used by the average ryot—to show that uneconomical methods of agriculture were due not to the wasteful character of methods contrived or improvised by the ryots, but to lack of capital. On the importance of irrigation works, he said that on two grounds—the vastness of the tracts now uncultivable which can be turned to smiling fields with crops, and the urgency for a wide avenue of employment for our educated young men—irrigation works formed a very important item in Indian rural reconstruction.

*Prof. Guleri:*

Said that with reference to agricultural development the various suggestions put forward by Mr. Bhatnagar, were not lost sight of by the various Provincial Departments of Agriculture. The limitations of the 'demonstration farm' of the orthodox type which the agriculturists should visit for their profit were realised and greater attention was now being given to the idea of bringing agricultural improvements at the very door of the villager. With this object 'demonstration plots' were being arranged in the fields of one of the progressive farmers in the village and the co-operative department was organising better farming societies. Agricultural propaganda work was becoming more active and recently moving shows by sending a cinema lorry in rural areas were being held. The scheme should certainly succeed in exciting the curiosity of the villagers. A 'demonstration' train has been organised just now to visit rural centres for the purpose of exhibiting the work done by the various beneficent departments of Government. A similar thing was organised in Bengal also. Referring to the suggestion of Prof. Myles regarding damage by rats, he said that a rat extermination campaign had been initiated as an experiment by the Entomological section of the Agricultural Department, and it had succeeded beyond measure. As regards utilising of existing resources and improving existing practices and implements, this was what the departments were actually aiming at. The early efforts of introduction of western implements and methods were perhaps naturally directed towards the large landowner, the problem of the small holder has in fact not yet been taken up. This is perhaps the most important problem of agricultural development. As regards the question of the extension of canal irrigation being put a stop to, this was perhaps not a legitimate conclusion from Dr. Mukerji's paper. At least none in the Punjab would be convinced of this argument. If canal irrigation was not an un-mixed blessing, it simply meant that the evils of waterlogging, etc., had to be faced and overcome,

*Professor Kale:*

Said that there was no risk involved by canal irrigation. Extension of irrigation facilities was a great need of the moment. In Bombay the problem was that of irrigation of any kind or starvation. When there is deficient rainfall, we cannot depend upon wells. Canal irrigation is the only safety. There was no danger of over-population.

*Dr. H. C. Seth:*

On page 270 Dr. Mukerjee had given figures to show that the percentage of area under canal irrigation is greater than in the eastern districts, where well irrigation is more prevalent. In the famine years the cropped area greatly shrinks in the western districts than in the eastern ones, where the number of wells greatly increases. It should not be forgotten that the possibility of well-irrigation itself greatly depends upon the amount of rainfall, and as the table given at the end of paper shows, the rainfall in the eastern districts is much greater than in the western ones.

Very often the well, specially the Kachha ones in the drier western districts dry up at the beginning of a dry year. The level of the sub-soil water greatly sinks, whereas in the eastern districts because of greater rainfall, the level of the sub-soil water does not sink so much and the well irrigation continues an economic possibility even in a very dry year.

It seems to me, as Prof. Kale points out for other parts of India, that even for the drier western districts of the United Provinces the security against famine lies in the extension of canal irrigation, supplemented where necessary by the construction of tube wells.

I entirely associate myself with the remarks of Prof. Myles that there are other evils arising out of canal irrigation, for instance water-logging, salt-encrustation, disturbance of the natural drainage and the resulting unhealthy conditions. These

are the evils, which must be removed before India gets the fullest benefit of the extension of canal irrigation.

*Dr. H. Sinha:*

I desire to offer just a few remarks on an important point raised in to-day's discussion by Prof. Madhava, that is, the scope of the application of the methods of statistical analysis to the study of economics at present in India. This point was also referred to by Prof. Myles and Prof. Shirras yesterday. I quite agree that our study will be considerably improved and risks of rash generalisation will be avoided, if we attach more importance to statistics. But I cannot go so far as Prof. Madhava, and I must say that the time for descriptive economics is not yet over. In every country and for every science the formulation of laws follows the accumulation of facts. To give an analogy from mathematics, the position of heavenly bodies was studied with great labour for fourteen long years by the famous astronomer Tyco Brahé, who on the geocentric view referred all bodies to the earth. He was followed by Kepler, who gave his descriptive laws of motion, on the heliocentric view, that is, with the sun as point of reference. Lastly came Newton with his universal law of gravitation.

I quite appreciate that the method of partial correlation suggested by Prof. Madhava is a very powerful method of analysing the component causes of a complex social phenomenon with the utmost exactitude and clearness. Thus if we had the necessary data, we could tell at once the precise extent of correlation between double-cropping and population. In the absence of the data, we have to be satisfied with a mere description.

The methods of statistical analysis are admittedly powerful methods, but where is the scope for their application to economics to-day? To give an instance, one of my post-graduate research students was trying to find out the partial correlation between rainfall and the yield of jute in a group of districts in



Bengal. He wasted several months over this vain attempt. While accurate figures for rainfall are available, the figures for the yield were found to be hopelessly inaccurate.

Prof. Madhava also made light of the index of aridity referred to by Prof. Mukerjee. It is quite true that if the rainfall is measured in centimetres instead of inches and the temperature is measured on the Fahrenheit system instead of the Centigrade system, its value will be altered. But that will simply mean that instead of 5 indicating desert conditions, some other figure will do so. That does not render the index valueless.

*Prof. B. G. Sapre:*

Said that there was no necessary conflict between the two methods of irrigation. In some parts of the country there was no room for choice at all, the tract being suitable for well or canal irrigation alone. In the Deccan, for instance, the canals taking from the costly reservoirs constructed in the Western Ghats can reach only a small part of the tract suffering from precarious rainfall. In such cases well irrigation must *supplement* canal irrigation. Also in a hilly country like the Deccan there was necessity of conserving every drop of rain-water. For this purpose Prof. Sapre advocated the extension of the system of *Pats* and *bandharas*. Every running stream and *nalla* must be dammed and the water so impounded utilized for the purposes of irrigation. This would mean not only more irrigation but protection of the soil against erosion. Government must follow a more active and elastic irrigation policy. Every district must be surveyed from the point of view of its irrigational possibilities and large and small works constructed to suit the locality. Prof. Sapre also said that the problem of irrigation does not end with the leading of water to the thirsty fields. The cultivator must be taught how to use the water. The field as well as the crop must be prepared for the water. This points to the necessity of the proper cultivation and manuring of the field.

*Principal G. Findlay Shirras:*

Welcomed more economic facts and the application of statistical methods to such facts. In an Economic Conference with regard to Dr. Radha Kamal Mukerjee's Paper he said that it was papers of this kind which contribute to develop a school of Economics in India. He suggested that Dr. Mukerjee should take an area for illustration of his method.

With regard to the methods of irrigation he said that the advantages of present methods of irrigation far outweigh the disadvantages.

With regard to Mr. Ganguly's paper he supported the remarks made by Professor Madhava about partial correlation.

*Dr. Radha Kamal Mukerjee:*

Thanked Dr. Panerjee and Professor Shirras for the appreciation of his paper, and Prof. Madhava for bringing the question of methodology. He pointed out that some speakers misunderstood his position. No one could contend in this province that canal irrigation was a curse. It was only observed that canal irrigation had not proved to be such a boon as was expected and could not protect adequately. The reason is that population had expanded, and so cultivation had gone beyond the limits for which the canals could offer adequate immunity. In many canal-irrigated areas inefficient methods of irrigation are adopted. So far as methodology is concerned, he observed the concept of the index of aridity was useful in Economics in so far as it indicated that the agricultural insecurity or famine will have its worst results where the indices were lowest. The agricultural data which he had put forward were corroborated by censuses, which showed that the districts with the lowest indices of aridity were declining.

With regard to Mr. Ganguly's paper Dr. Mukerjee said that a deficiency of normal rainfall below 30 outweighs all other factors in limiting multiple-cropping. Some soils retain moisture but as the extent of double-cropping implies mainly, if not solely,

the cultivation of wet crops, it is not soil but rather agricultural water-supply which ultimately governs intensive farming.

*Mr. Ganguly :*

Mr. Doraiswami Ayyar said that he did not know how to reconcile the fact that double-cropping is accompanied by imperfect tillage and wasteful cultivation with the fact that extensive double-cropping is also the result of agricultural enterprise. In fact, double-cropping means improvident husbandry in so far as it modifies the ordinary rotation of crops and in so far as sowings are hastily undertaken without sufficient tillage in order to take advantage of the surplus moisture left in the soil after the *kharif* rains. But as I pointed out in my paper, artificial irrigation is as much a determinant of double-cropping as favourable physical conditions of soil and rainfall; and hence we cannot neglect the human factor when we are studying the conditions which determine the extent of double-cropping. As a matter of fact, we find extensive double-cropping in certain districts on highly manured and well-irrigated lands near the village sites; the variety of crops grown and the high standard of cultivation are mainly due to the agricultural skill and enterprise of the lower castes such as Muraos, Kurmis, Ahirs and Jats. These lower castes generally possess the most fertile portions of the district and we invariably find extensive double-cropping in the tracts where they have taken up their abodes.

*The President :*

Observed that we must improve the agriculturist from his own point of view. The primitive plough was more useful than the developed plough in India.

On the question of double-cropping he was doubtful if the connection between double-cropping and prosperity as suggested by Mr. Ganguly had been established in India, though it was true in the case of Italy.

On the question of irrigation he said that on one side we have areas which were a desert before but were now being cultivated, on the other side cultivated areas were going out of cultivation as a result of water-logging.

He did not agree with Prof. Kale, when he said that the population question had no danger in this country.

There were drawbacks to the Punjab irrigation system, but it was an attempt to wrest something from the power of nature. When we acquire power we must have some responsibility. This point was not thought of before, but it is certainly important for the future, because it is then only that we can face the future with equanimity.

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5th January, 1928

Subject—SOCIAL ECONOMICS

*Dr. Pant:*

With reference to Mr. D. P. Mukherjee's paper, Dr. Pant pointed out the importance of State aid in case of Social Insurance. With reference to Mr. Ganguly's paper he thought that beggars should be segregated and classified into able-bodied and diseased. The different classes of beggars should be put under the charge of different Government departments. In his opinion the Government should take lead in the matter of prohibiting beggary in the streets once for all.

*Mr. Kesava Iyengar:*

Pointed out that as the standard of living among the labourers in India was very low, there was no surplus after expenditure and it was extremely difficult for the labourers to contribute even a small sum as benefit towards an insurance scheme. He also advocated that the initiative should come from the state.

*Prof. Bhateja :*

Was struck by the unreality of the different schemes of Social Insurance. In his opinion in India some form of group-insurance already existed in the form of joint-family.

*Prof. Doraiswami Iyer :*

While admitting that the standard of living was undoubtedly low, differed from the previous speakers in holding that such schemes were useful. In his opinion the immediate problem was to raise the national productivity of the country by the application of scientific methods to agriculture and industries. It was only when the national wealth was increased all round that social insurance schemes could come in. He recognised the usefulness of Social Insurance.

*Prof. C. N. Vakil :*

With reference to Mr. Kellock's paper suggested that applied economics would perhaps be a better description than "Social Economics."

*Prof. Radha Kamal Mukerjee :*

Stressed the importance of mobilising the social forces and building our economic future on the foundations of the community life. He pointed out that Mr. Mukerjee in his paper had utilised those forces for a scheme of economic reform. According to this scheme the groups of insured people were to be members of the same village or caste or family which were the traditional units of mutual benefits. Dr. Mukerjee pleaded for the retention of the name "social economics" as it indicated an essential change of outlook on the part of the economists from the emphasis of the economic man with his simple instincts of self-interest and to that of a social man governed by his social environments and broader social sympathies.

*Mr. D. P. Mukerjee:*

Answered the criticisms. The criticisms were two-fold. In the first place the scheme was considered to be unreal; secondly, the State-insurance was superior to group-insurance as the Indian standard of living was low.

The scheme was not unreal in so far as (1) it took into account the living traditions of mutual benefit like joint-family, village and caste Panchayats, sanitary committees, and the Government recognition of their usefulness. The Government itself had allowed the payment of premium-benefit as one of the legitimate items of expenditure by the registered Trade Unions in 1926; (2) the scheme itself was considered to be eminently feasible by noted actuaries. The absence of statistics which is deplored by all students of economics could not be as serious an impediment to a practicable scheme as it was thought to be, for the British Insurance Companies working in India and paying high dividends and bonuses did so on the basis of a rule of thumb adaptation of foreign experience.

With reference to the lowness of the standard of living Mr. Mukerjee thought that it was a double-edged argument which could not, however, cut the vicious circle. Group-insurance was meant to remove poverty arising out of an expenditure beyond the normal. So if a small portion of the wages which could not be more than nine annas per month for any group for a life policy of a thousand rupees could be deducted from the wages by the employer, it would not matter much. The consequences involved would more than make up for the temporary losses. With reference to the superiority of State-insurance to group-insurance the paper did not exclude state assistance. It placed State-aid only in the last instance, and that was logical as well as historical. It was logical because the State could not build anything upon nothing. It was the primary duty of the employers and the employees to bring the necessity to a head. It was historical because in Great Britain State-insurance was only possible after a

century of Trade-union organization and nearly 20 years of private insurance.

*Mr. Madhava :*

Remarked briefly stating that several members had raised very pertinent queries and had also answered themselves. It is sufficient to point out that whether we consider these schemes of insurance as real or unreal, they were going to be realised in the near future. The present difficulty seemed to him not one of need or otherwise, but the lack of reliable statistics wherewith to start work. In the body of the paper had been developed also the various ways in which existing national institutions could be utilised for the successful operation of these methods of social relief.

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# INDIAN ECONOMIC ASSOCIATION

## MINUTES OF THE ANNUAL GENERAL MEETING

The Annual General Meeting of the Indian Economic Association was held at Canning College, Lucknow, on Thursday, the 5th January, 1928, at 10 a.m.

The President Mr. M. L. Darling, I.C.S., was in the Chair.

Owing to the unavoidable absence of Prof. R. M. Joshi, the Hon. Secretary and Treasurer of the Association, Mr. S. K. Rudra of the Allahabad University, acted as Secretary and Treasurer during the session of the Conference.

About 35 members were present.

The amended Report of the Hon. Secretary and Treasurer was read and adopted. (See Appendix A.)

The Audited Statement of Accounts submitted by the Hon. Secretary and Treasurer was adopted. (See Appendix B.)

The Audited Accounts of the Indian Journal of Economics, submitted by the Managing Editor, were recorded. (See Appendix C.)

Mr. Rudra informed the members that the Agreement between the Association and the Department of Economics had been finally ratified.

The following office-bearers were elected for 1927-28:—

President—Prof. V. G. Kale.

Hon. Secretary and Treasurer—Prof. R. M. Joshi.

Hon. Auditor—Mr. Arjun K. S. Aiyar.

A cordial vote of thanks was accorded to Prof. S. S. Engineer for the valuable service rendered by him to the Association as Hon. Auditor.



The following *three* were elected to the Editorial Board of the Journal:—

Prof. V. G. Kale.

Dr. Radha Kamal Mukerjee.

Principal Findlay Shirras.

On behalf of the Department of Economics and Commerce of the Allahabad University, Mr. Rudra expressed their sincere gratitude to Prof. Myles for the very great services he had so devotedly rendered to the "Journal" for several years, and expressed his regret at his withdrawal from the Editorial Board.

A cordial vote of thanks was accorded to Prof. Myles and Dr. Banerjee for their services to the "Journal" on the Editorial Board.

The following were duly elected to serve on the Executive Committee:—

1. Dr. Radha Kamal Mukerji, Lucknow.
2. Prof. W. H. Myles, Lahore.
3. Principal Findlay Shirras, Ahmedabad.
4. Dr. Pramatha Nath Banerjee, Calcutta.
5. Prof. C. D. Thompson, Allahabad.
6. Prof. Gurmukh Singh, Benares.
7. Mr. M. L. Darling, Lahore.
8. Prof. H. R. Batheja, Patna.
9. Prof. Doraiswamy Aiyar, Madras.
10. Principal M. L. Tannan, Bombay.
11. Mr. B. T. Thakur, Lucknow.
12. Dr. P. Basu, Indore.

It was moved by Mr. Sondhi and seconded by Mr. K. Iyengar that the practice of recommending names for the Executive Committee by the outgoing Executive Committee be discontinued.

The Chair explained that the names suggested were in no way binding on the General Body, but were put merely to assist the General Meeting in making the Executive Committee truly representative of different provinces and universities,

The resolution was then withdrawn.

It was resolved to accept the tentative invitation offered on behalf of the Mysore University for the next Session of the Conference, and to appoint Prof. N. S. Subba Rao as the Hon. Local Secretary.

It was further resolved that, should an official invitation not be forthcoming from the Mysore University by the end of February, 1928, the invitation of Holkar College, Indore, be accepted, and that Dr. Basu be appointed as Hon. Local Secretary; and that the information about the holding of the Conference at Indore be sent to Dr. Basu not later than March, 1928.

Resolved that Prof. Jevons be cordially thanked for his very kind invitation to the Conference to assemble next year at Rangoon.

It was resolved to hold the next session of the Conference in the first week of January, 1929.

It was resolved to devote four days, if necessary, to the Conference. The Hon. Local Secretary was to decide the need of extending the session of the Conference from three days to four.

The following *three* subjects were selected for discussion at the next Conference:—

- (1) Land Tenure.
- (2) Central, Provincial and Local Finance.
- (3) Marketing.

Dr. Mukerjee, and Mr. G. D. Sondhi moved that Sociology and Politics be included among the subjects for discussion in the sessions of the Conference.

After much discussion, the President ruled that these two subjects could not be included as subjects for discussion at the Conferences of the Association under the existing Bye-laws, as the discussion of Sociology and Politics was not one of the stated objects of the Association and that if the Association wished to discuss them in future, the Bye-laws should first be duly amended.

The proposition was then withdrawn.

It was resolved that the last date of sending the Papers for the next Conference to the Hon. Secretary should be as usual the 31st of October.

S. K. RUDRA,

*Acting Hon. Secretary.*

Lucknow, 5th January, 1928.

M. L. DARLING,

*President.*

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## **APPENDIX A**

### **INDIAN ECONOMIC ASSOCIATION**

**Report for the year ending the 30th September, 1927.**

Our membership during the year has increased from 113 to 125.

The audited statement of Receipts and Payments shows that the financial condition of the Association is improving steadily. Our opening balance was Rs. 324-15-5, and our closing balance was Rs. 482-8-11, showing an increase of Rs. 157-9-6.

Our agreement with the Department of Economics of the Allahabad University regarding the Indian Journal of Economics ended on the 30th September, 1926. At the Calcutta Conference an agreement was made to continue in force for three years. That was a very satisfactory arrangement. We have found it so on our part during the year under review and I believe the Department too have found it equally so.

At the Annual Meeting of the Association held during the Calcutta Conference in January last, it was decided to combine the offices of the Secretary and Treasurer. This arrangement has worked satisfactorily so far.

**S. K. RUDRA,**

*Acting Hon. Secretary and Treasurer.*

# **APPENDIX B** **INDIAN ECONOMIC ASSOCIATION** **Receipts and Payments for 1926-27.**

Receipts.		Payments.	
	Rs. a. p.		Rs. a. p.
Balance from last year	... 324 15 5	Paid to the Department of Economics, Allahabad University, on account of balance due for the last year	... 113 0 0
Subscriptions for 125 members @ Rs. 12 ...	1,500 0 0	Paid to the Department of Economics, Allahabad University, for 125 members @ Rs. 9	... 1,125 0 0
Sale of Reports	... 18 8 0	Expenditure for V. P. Journals refused	... 5 10 0
		Postage and Stationery	... 25 9 6
		Printing	... 36 0 0
		Clerical assistance	... 55 0 0
		Commission on cheques	... 0 11 0
		Total	... 1360 14 6
		Balance in Bank	... 461 5 5
		Balance in hand	... 21 3 6
<b>TOTAL</b>	<b>... 1843 7 5</b>		<b>1,843 7 5</b>

Examined with Books and Vouchers and found correct.  
**SORAB S. ENGINEER,**  
*Hon. Auditor.*

R. M. JOSHI,  
*Hon. Secretary and Treasurer.*

28th November, 1927.

## APPENDIX C

### Profit and Loss Account for the year ending 31st May, 1927.

	Rs. a. p.		Rs. a. p.
To Printing ...	1,719 14 0	By Subscription ...	3,849 6 0
„ Paper for Printing ...	517 10 0	„ Back numbers sold ...	221 10 0
„ Stationery ...	23 2 6	„ Interest on Fixed Deposit	28 0 0
„ Salaries and Wages ...	864 0 0	„ Economic Association...	99 5 0
„ Cartage ...	4 0 0	„ Board of Econ. Inquiry ...	475 1 8
„ Postage ...	604 6 0	Miscellaneous Income—	
„ Miscellaneous Expenditure..	51 12 0	Registrar, University, Allahabad	400 0 0
„ Depreciation ...	122 0 0		
„ Profit carried over to Balance Sheet ...	1,166 10 8		
Total ...	5,073 7 2	Total ...	5,073 7 2

### Balance Sheet as on the 31st May, 1927.

	Rs. a. p.		Rs. a. p.
Profit ...	1,166 10 8	Fixed Deposit ...	1,000 0 0
Net worth ...	2,417 9 11	Cash in Bank ...	2,200 14 1
Subscription to Vol. VIII paid in advance ...	102 12 6	Cash in hand ...	81 8 6
		Equipment	422 .....
		Less Depreciation	122 300 0 0
		Macmillan & Co.	66 2 6
		Taraporewala & Co.	38 8 0
Total ...	3,687 1 1	Total ...	3,687 1 1

R. M. SINHA,  
*Accountant.*

S. K. RUDRA,  
*Managing Editor.*

G. D. KARWAL,  
*Treasurer.*

Examined and found correct.

R. DUBEY,  
*Department of Commerce, University of Allahabad.*

the stabilisation of the zloty, the banking system of Poland including its Central Bank, the budget, debt policy, and the revenue system including customs, salt and tobacco. 'It is impossible to deal with the Reports, thirteen in number, in detail. For the student of public finance, as well as the student of banking and currency, these reports are a mine of information. Theory and practice, as they ought to be, are inextricably intertwined. Was it not James Mill who censured on one of their morning walks his son, John Stuart, for saying that there was a difference between theory and practice? 'I recollect,' says the younger Mill, 'also his indignation that something was true in theory but required correction in practice; and how, after making me vainly strive to define the word theory, he explained its meaning, and showed the fallacy of the vulgar form of speech which I had used; leaving me fully persuaded that in being unable to give a correct definition of Theory, and in speaking of it as something which might be at variance with practice, I had shown unparalleled ignorance.'<sup>1</sup> The reports before us are of special importance from this point of view.

The first Report in the volume—The Stabilization of the Zloty—is divided into three parts: the rate of stabilization, the method of stabilization, and the time of stabilization. We see here the work of the leader of the Commission, Professor Kemmerer, who approaches the problem by emphasising the fundamental fact that the level of prices, wages, and taxes in Poland, expressed in gold quantities, will not be permanently influenced by the rate of stabilization that is adopted. We in India traversed the same ground recently when Act IV of 1927 stabilized the rupee in relation to gold at one shilling and sixpence, *viz.*, 8.47512 grains of gold to the rupee. As the Report phrases it, 'A law that would cut the size of the hectare in half would increase the number of hectares possessed by each landholder but would not increase the amount of his land.' The Report was also in favour of stabilizing

<sup>1</sup> Autobiography, Chapter I.

at somewhere near the *status quo*, viz., 45 zloties to the £1 or 9 zloties to the dollar.

The Commission passes several strictures on Government Paper Money and they believe that the weakest element in Poland's present currency and the most threatening danger to currency stabilization is the large circulation of these Treasury Notes, behind which there are no gold reserves and against the increased issue of which there are no adequate restrictions. . . . The line of least resistance if future Governments should be hard-pressed for funds is the obtaining of funds by still further issues of Treasury Notes.' The inflation of the currency by a 'needy Government' always leads to the same result—the necessity of restoring public confidence in the currency. The Commission shows that the two financial reforms most urgently required in Poland were the stabilization of the currency and the permanent balancing of the budget. The initial mistake that Poland made was to attempt the impossible, to try to do this by herself and without outside assistance. She has learned a lesson.

In many respects the Memorandum on the Articles of Association of the Central Bank—the Bank of Poland—is the most interesting to us in India at the present time. The trouble in 1925 which the Central Bank found was that its capital was in reality too low, and a bank's capital is used as the initial source from which the bank draws cash funds to carry on business and also as a guarantee to the public 'whose confidence the bank invites when it asks the public to accept in return for the public's funds, the bank's promise to pay in the form of bank notes and deposit credits.' The size of the bank's gold reserve suggests the principles that should determine its size. The reserve of a central bank is held to be a 'regulator fund,' not a backing for the bank note circulation. Its use should be to decrease or increase the country's supply of circulating media. The percentage should widely differ in different countries. A small percentage reserve would ordinarily suffice in a country advanced in economic develop-



ment and where there were a high level of education, a long tradition of sound banking, and with no large seasonal swings in business, and the rule is laid down that whatever may be the legal reserve against notes, should likewise be required against deposits. A bank deposit like a bank note is a liability of the bank payable on demand. A bank's true reserve position is the percentage of its cash assets to its total note and deposit liabilities and 40 per cent. is a normal minimum. There is one sentence in the report that bears quotation. It refers to the disadvantage of curtailing the customary rights of the shareholders of the Central Bank. 'The history of other countries shows that central banks of issue often become subjects of political controversy and of strong political animosities, and further, that the greatest single danger to central banks is probably the danger of political exploitation' (p. 57). It is to be hoped that this will be duly received, marked, and digested by the student of banking.

The joint stock system requires, in the opinion of the Commission, (1) a thorough reorganisation to eliminate the weak banks through consolidation with stronger institutions or liquidation; (2) larger and better-managed banks in Poland if the growing credit needs of commerce, trade and agriculture are to receive the attention which they deserve; and (3) an efficient system of bank supervision. The Polish banking system has many of the weaknesses of our Indian system and the recommendations are, therefore, not without interest. Considerable emphasis is laid on bank inspection to ascertain the solvency of an institution, whether the business is carried on according to the bank's statutes and governmental laws and regulations, and whether the management is competent. The Commission recommends the appointment of a Bank Commissioner appointed by the Minister of Finance with the approval of the Council of Ministers for a fixed term, say five years. The Commissioner should be an experienced banker or professional man with a thorough knowledge of banking and commercial practice. He should be of unquestionable integrity

and paid a salary to attract first class men from private life. He should appoint an adequate staff of qualified men as deputies and inspectors.

The Report on the Revenue System of Poland brings out the necessity in any country of securing as great an equalisation of the burden of taxation as possible. The tax laws are not well drafted. There is in the present system an over-emphasis of progression amounting to a misuse of that principle. There is, too, an indiscriminate use of exemptions, and 'there does not seem to be a clear understanding of the proper limitations which should surround the exercise of administrative discretion, with the result that there are practically no provisions of tax laws which may not be modified or suspended by subsequent regulation or executive order.' This has had a very bad effect on the collection of taxes. There is also the lack of uniformity of procedure in different parts of the country. The land tax especially perpetuates the great differences between German, Austrian and Russian procedure. The Commission makes some very striking suggestions in regard to the land tax. Although land and buildings form a large part of Poland's wealth, the taxes on land and immovables were in 1925 only 5.37 per cent. of the total taxes. In Russian or Congress Poland the basis of assessment was worked out in the first half of last century and all records and maps have disappeared and the latest tariff dates from as far back as 1866—68. Distance from the market appears to be the primary factor governing the variation in rates. In German Poland the basis is the income of the cadastre which was begun in 1861. The provinces of former German Poland are assigned a quota of the land tax and this is apportioned to the districts on the basis of the traditional records of the cadastre. In Austrian Poland the model is the German plan but in some respects it is an improvement. Better maps and more accurate surveys seem to have been made and ten different kinds of lands are shown, and within each eight subdivisions are made. The Commission recommends a new and

equitable basis for the assessment, and points out the unfair burden on Polish industry and commerce as compared with agriculture. It recommends the abandonment of progressive and degressive rates of land tax introduced in 1923, the increase or decrease being graduated with respect to the basic tax. In regard to the cadastre the Report says that 'The antiquated 19th century style of land cadastre should not be used as the model in the new valuation, except in a simplified form. This method of determining the taxable basis of land was devised by the German academicians of the middle of the last century. It is extremely rigid in its application, and artificial in its results. It is inordinately expensive, and on account of the cost of revision is quite likely to be retained without modification, regardless of the economic and social changes which produce shifts in land values. The technique of recurrent land appraisal has been developed further in the United States than in any other country. If suitable arrangements could be made for the services of a competent American assessor of real property, who could spend two or three years at the job, with a free hand in planning and executing the work, the new valuation could be established and a modern technique introduced for carrying it forward from year to year.' We doubt whether the Government of Poland will go as far as this, since in agrarian matters of this sort sudden changes in fiscal matters are most difficult and dangerous. Would it not be possible to examine our Indian system and take what is best in it and most suitable to local conditions? Alternatively, the modern system may be feasible if the peculiar conditions of Poland are first carefully studied.

We have referred to some of the points in the Reports at some length to show the comprehensiveness and practicability of the suggestions put forward by the Kemmerer Commission. The Government of Poland adopted the most essential of the recommendations. A loan of £3,000,000 or \$15,000,000 was successfully raised in London, New York, and one or two other bourses and was

over-subscribed. The greater bulk of the issues was raised in New York. Professor Kemmerer submitted, it will be remembered, a Report with Dr. Vissering on the Resumption of Gold Payments by the Union of South Africa in 1925. Since then he has headed Financial Commissions in Columbia and in Chile with equal success. But nothing has perhaps quite equalled his work for Poland as instanced in the Reports before us and in the beneficial change that has taken place in the country's finances. In Poland official muddling in financial matters was at the top of its form in regard to the zloty and also the Central Bank. There was thus a beautiful opportunity for the export economist who saw that the nettle of finance had to be grasped and grasped firmly. Professor Kemmerer never skates over the difficulties of the problem with unconvincing lightness and agility. His characteristics are that in addition to the professor of economics he is a man of affairs and a prodigious worker. He possesses, as the Reports show, a dominating sense of public duty and in its highest and best development the genius of commonsense. The Government of Poland has, from October 13, 1927, stabilized the zloty at 43.38 to the £1 or 8.91 zloties to one U.S. dollar as against 9 zloties recommended by the Kemmerer Commission, almost the same rate. There has been a remarkable change in the Central Bank's position within the last twelve months. The gold and foreign currency assets have increased from 269 million zloties to 1,408 million and the holding of gold and gold currencies in relation to notes and deposits has more than doubled. The confidence brought about by the correct handling of the situation, based on the advice of experts, is well shown in the floating of the foreign loan, especially in London and New York, where it was over-subscribed shortly after the lists were opened for subscribers.

# AGRARIAN UNSETTLEMENT

BY

DR. RADHA KAMAL MUKERJEE,

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**General Land Situation in India.**—As in all agricultural countries, so in India, the problems of the land are the most significant of national questions. The standard of living of the Indian peasant cannot rise until a change in the land system supplies the essential economic basis of more efficient peasant farming. Neither scientific agriculture nor co-operation can make much headway unless we reform the land system, now so serious a handicap to the prosperity of the small farmers. In many parts of India the peasant is unable under existing land settlement to make his occupation profitable. Indebtedness weighs him down to an extent difficult for him to overcome at prevailing rates of interest with his limited holding and uncertain tenure; while the rate at which holdings are being transferred to the non-agricultural classes is indicative of a difficult situation. The inefficient system of agriculture that prevails, indeed, is connected less with tillage practice than with the forms of tenure now overshadowing the ancient peasant proprietorship which formerly enjoyed the protection of the village communities. Both small ownership and the growth of village communities in India are connected with the dense population and with the practice of rice agriculture, which necessitates the breaking-up of land into small plots surrounded by dykes and channels, and the collective management of irrigation. The disruption of the village communities everywhere has spelled agricultural decline. The disuse of equitable regulations as regards meadows, pasture-grounds, tanks, and irrigation-channels, and the dispersion of the

supply of free labour for common agricultural tasks which formerly was facilitated by the associated life of the village communities, has weakened the rural economy to an extent which neither new habits inculcated by education nor the conventional measures of Government can cure. But peasant proprietorship has been weakened not merely by the loss of the traditions of social and agricultural co-operation; it also has been working its own decay by minute fragmentation where there exists no check of a collective coparcenary community. The creation of landed estates in India has led, moreover, to the minimum amount of agricultural utilization, as in England. With the increase of population and the importation of English notions of property, the landlord has found opportunities to increase his rents, and in addition to impose various illegal cesses and dues, without, however, interesting himself in matters of land improvement. Tenancy legislation has been necessary where tenants have been regarded merely as money investments and permanent improvements have been discouraged, but the economic strength of tenants is by no means assured; while in some parts rack-renting as well as other dangers of subinfeudation and subletting through a chain of inferior proprietors are realised. The creation of landlordism, both of superior and inferior grades, and the break-up of peasant proprietorship and the village system in India, have resulted inevitably from the original misunderstanding on the part of early British Administrators who had derived their lessons mainly from the agricultural history of Western Europe. In the East the village communal system was an old-established social adjustment, responsive to the requirements of dense populations in fertile plains. Hence the land and village systems and forms of tenure are very different in India and Europe.

**Origins of Land-holding.**—In tracing the stages of agricultural development we must sift the factors which govern the evolution of different types of land-holding and village life in India and the medieval West. An earlier clan and tribal organisation here

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evolves into the village communal system. The bond of union is no longer kinship but the newly-developed emphasis on co-operative methods in irrigation and the social necessities of a closely-compacted population. This differentiates the Indian village community from the Teutonic or the Slavonic institution. The latter savours too much of its early tribal origins; while the former has differentiated economic structures, classes and castes and exhibits more elaborate customs and usages governing the diverse interests in the soil than could have been evolved by organizations on a mere ethnic basis. These customs and usages are quite compatible with intensive cultivation and peasant ownership, though the communal element continues to prevail. In the West agricultural development was possible only when village collectivism, with its communal routine of agriculture, which was far more rigid than in India, was superseded either by the *latifundia* or by unrestricted small holding. Here the village communities established a balance between individual and collective rights which was conducive to agricultural efficiency in the adaptation to social and geographical conditions. But the economics of conquest has left deep marks on Indian as well as on European rural life. The influence of political authority and conquest in establishing the feudal as distinguished from the autonomous type of village organisation is discernible both East and West. Thus the growth of manorial estates has been seen both in Europe and in India, and requires comparative investigation. The drawbacks and deficiencies of peasant farming on the one hand, and of feudal land-holding and absentee landlordism on the other, are not peculiar to India. In other countries similar causes have produced a similar transformation of the relations of the agrarian population with its reactions on agriculture.

**Position of the Indian Peasant—Signs of Unrest.**—The agricultural population of India now works on very meagre resources, which, if we consider the well-being of the peasants themselves, are very poorly distributed. Our examination of the changes in

landownership and tenantry during the last fifty years will show that this maldistribution is growing worse. The economic position of the small holder has deteriorated, while the contrasts between landlords and expropriated peasants, between the increasing class of rent receivers and the toiling agricultural serfs, betoken a critical stage in our agricultural history. The uneconomic holding, the absence of full proprietorship of the cultivators, and the use of semi-slave hired labour, are incompatible with the efficient intensive cultivation which is the great advantage of peasant farming, and without which our increasing population must stay content with a single meal, thin gruel, and a loin-cloth. The faint rumblings of present class consciousness, already audible in some parts of India; challenge the present agricultural regime. No man should suffer imprisonment with hard labour in one-eighth of an acre of land. No class should be merely "a mud-sill on which a superstructure may rest": the class which maintains the race should not be the scapegoat of its burdens and penalties.

**Tenant Law and its Abuse.**—With the rise of landlordism, the rights of the village communities and peasant proprietors have been obscured. The aim of tenancy legislation in Bengal, the United Provinces and the Central Provinces has been to correct the mistake of such suppression and to recreate proprietorship, albeit in a modified form. Occupancy right has been bestowed, but the classification of tenants into occupancy and non-occupancy has been nowhere a sufficient protection against enhancement of rents or even eviction. The great mistake of tenancy reform has been that the right it created depended upon a time-limit, and therefore upon the forbearance of the superior proprietor to exercise his power of eviction before it matured. Hence the right came to be sold and purchased, and the superior proprietor, and sometimes the surrendering tenant as well, took advantage of the situation, and extorted some profit from the transaction. This is the case still in Bengal, Bihar and the United Provinces, where the increase of population and competition for holdings have ag-

gravated the evil. The system of taking premiums from the tenants has prevailed less in Bengal and Bihar, however, than in the United Provinces, because of the creation of permanent heritable rights. In Bengal and Bihar the exaction is imposed chiefly on the occasion of transfer, whether legal or fictitious. Transfer of tenants' holdings is as a rule recognised on payment of a premium, which is sometimes based on the purchase price or the rent, and sometimes is an arbitrary amount which is as high as the purchase price. Indeed, non-transferability has left the *zamindar* everywhere scope for the appropriation of unearned increment in every province where superior proprietors have been created. Apart from these openings for tenancy exploitation, both in the United Provinces at present and in the Central Provinces before the passing of the Tenancy Act, the existence of a periodic protected tenancy depending upon the consent of the landlord, and hence difficult to acquire, has been a fertile cause of the levy of exactions in various guises. With regard to privileged tenants, an arbitrary increase of rent by the landlord is difficult, and all enhancement is subjected to legal control; but, in thickly-populated areas of Bengal, Bihar, Orissa and the United Provinces, the law regarding enhancement is often, if not commonly, evaded. With the passing of tenancy laws in the different provinces there recently has grown and extended the practice of levying *nazarana*, which in essence is the capitalisation of the increase of rent. Its evil consists not merely in the amount of accumulated capital of which the tenant is periodically deprived, but also in the handle it affords to the landlord on convenient occasions for enhancement of rent. Illegal enhancement of rent also is not unusual. On the other hand, the improvement of the land is difficult. Large portions of land are let out in "*patnis*," sometimes with very little margin of profit for the under-tenureholders, who therefore are unwilling to expend capital on improvement. *Ryots* in a large proportion of cases have the status of fixed rent, under which their rent cannot legally be enhanced

even if the landlord spends money and improves his land. The difficulty of obtaining increases of rent from the *ryots* on the ground of improvement is very great, and both superior and inferior proprietors are generally loth to risk the uncertainties of litigation. As regards ordinary tenants in Bengal, the Agra Province and Oudh, the laws, while preventing sudden rises in rent, do not hinder enhancement and eviction. The custom of subletting has grown also, in spite of legal difficulties, in Bengal, Bihar, Agra and Oudh. This has converted the tenant into a mere rent-receiver, who has taken full advantage of the general rise of prices, and further contributed to reduce the economic status of the actual tillers of the soil. In large parts of Central and Western Bengal, the sturdy class of Bagdis and Bauris has succumbed already to the more intelligent castes. They have been reduced to mere labourers, while those who claim the privileges of a *ryot* of the Bengal Tenancy Act are often persons to whom the driving of the plough is a social degradation. Throughout Bengal the professional and moneyed men aspire to become small landlords, and seek to buy out the original *ryots*. Some of them cultivate land on their own account by means of hired labour, but a great majority lease the holdings on share agreements. Such *metayers* are sometimes regarded as tenants and sometimes as labourers, and sooner or later their legal status must be defined. The rapid increase of this class, usually paying a rent in kind much higher than money-rent, points unerringly to the weakness of the peasantry. Evils of this type have not been combated as yet by legislation. Freedom of subletting has converted not merely the occupancy tenant in Bengal, but also the peasant-proprietor in many parts of the Punjab and the Madras Presidency, into a rent-receiver, an inferior absentee proprietor living on rent or a share of the produce. About half the total cultivated area in the Punjab is cultivated by the tenant, and of the rented area more than two-thirds is on the share-produce system. On the other hand, it is the inferior class of unprotected

tenants who not only pay much higher rents than the superior tenants, but also rent smaller-sized holdings and, having little security, pay higher rates of interest for agricultural capital. The marked divergence in recent years between old occupancy rents and new competitive rents, in temporarily settled tracts, has threatened more or less the occupancy status, has led to subletting, and has produced the evil of *nazarana* of all kinds; and all these questions are involved in the consideration of any reform in the system of tenant right. The Central Provinces Tenancy Act of 1920, in so far as it has created permanent tenure, restricted transfer and prohibited subletting, is a skilful piece of legislation which has rehabilitated peasant-proprietorship, protected cultivating interests against the moneylender, and at the same time prevented peasant proprietors from converting themselves into intermediaries exploiting the peasants below the legal peasant-line. It is very interesting to find that in countries so diverse as Russia and an Indian province the same evils arising out of the same agricultural conditions have been proposed to be remedied by almost identical measures. On the *ryotwari* estates, the periodical settlements have done a grave injustice to the small holder by disintegrating the village communal system, and by appropriating a larger and larger share of the agricultural income, which if peasant proprietorship were absolute and the theory of State landlordism not carried to its present extreme, would have returned into channels of permanent land-improvement. The deterioration of peasant-proprietorship and the accompanying free disposal of village commons as a result of encroachment and administrative policy have brought about agricultural depression much in the same way as they did in France and Germany in the nineteenth century. Warning may also be taken in this connection from the deterioration of English agriculture before the Industrial Revolution as a result of similar legislative interference. The Soviet Government is now finding it difficult to rehabilitate the *mir* on account of its basis having been weakened

by the State appropriation of common meadows and forests, and the importation of individualistic ideas of property into the "New Economic Policy."

**Protective Legislation for the Present.**—For remedial measures necessary to deal with the present situation we should draw freely from the experience of Ireland and Scotland and of the countries in Central and Eastern Europe, where small holdings exist or have been reconstituted by recent land reform. It must be a process of slow growth and adjustment in India; for, wherever we touch the land, we handle the root system of society. Wherever we have the great estate and the estate is broken up into farms which are dealt with on the produce-sharing system, we have to develop gradually towards security of tenure on one hand, and equitable farming agreements, characteristic of the *metayage* in Italy, France and Spain, on the other. In virtue of these agreements a veritable joint-ownership is established between the landowner and the tenant in parts of Western and Southern Europe, and the tenancy sometimes passes from generation to generation, thereby establishing effective ownership. Where we have peasant-proprietorship we should not break up the traditional village communalism, but revive the collective control over the use of the land, collective irrigation and collective cultivation. Gradually the village communities would be converted into co-operative societies so that they might make joint purchases of the necessary farm stock, sell the produce jointly, or obtain credit in common. The case of the inferior peasantry who obtain land or stock from the richer farmers to whom a share of the produce is transferred, also demands protective legislation. The constitution of economic holdings, prevention of fresh subdivision, and restriction of transfer and subletting, seem also necessary, if we wish to profit from the experience of different countries in Europe. There are, again, the farm hands, whose condition varies in different parts of India. Some have small plots of their own or work as partners. Others move from plot to plot, while some are so

much involved in debt that they sell their services for life to the family of the *zamindar* or the cultivator. The serf, who still plays an important part in the machinery of Indian economic life, deserves much greater attention and sympathy than as yet he has been able to elicit. With greater solvency of the peasant farmers, with the immunity of the different grades of tenants from arbitrary eviction and enhancement of rent, with the protection of the farm hands and agricultural labourers, and with a more equitable system of taxation, we can avert an agrarian crisis, and meet a famine when it comes, more courageously and more successfully than hitherto we have done, neither bewailing the inflictions of Providence, nor looting the bazaars in desperate revolt. The present situation is full of peril. The agrarian problem has to-day its social and political reactions: village unsettlement and political unrest have a direct bearing on each other, and this may result in intensifying both.

**Features of Land Unsettlement.**—There are at least three outstanding features of the present land unsettlement whose effects are not confined to the economic sphere. There has been a tendency during recent years for the cultivating proprietor to lose ground to the cultivating tenant and non-cultivating rent-receiver or rent-payer. The Jotedar in Bengal, the Lingayat in Bombay and the Brahman in Madras have given up the plough and now are dependent on the cultivating classes whose economic status has suffered. In the Punjab alone the number of rent-receivers has increased from 626,000 to 1,008,000 during the last decade. There has been also a large increase in Madras. In the permanently or temporarily settled tracts the tenure-holders and protected cultivators rapidly have become middlemen, and where population has begun to press on the land have sublet. The subletting in many places has gone several steps lower.<sup>1</sup> In some areas the existence of these intervening interests, which are readily bought

<sup>1</sup> This tendency to intensive subletting was noticed in Bengal by the Rent Law Commissioners in 1880: see their Report, p. 28.

and sold and the possession of which is much coveted,, has exercised a healthy influence in creating a higher standard of comfort. But often these classes are idle or thriftless. All this has poisoned the peacefulness of rural life and sometimes made tedious and difficult the simplest duties of routine and revenue. Secondly, the problem of industrial unrest in the cities is connected closely with the growth of the landless class in the villages. A floating immigrant population is the chief obstacle to measures of civic social improvement and amelioration. Labour legislation or housing reform, for instance, cannot be effective until the continuous cityward drift of the landless classes is checked. Thirdly, the structure of village life governs the system of polity and the change from peasant-proprietor to peasant-proletariat has introduced new factors in the evolution of the Indian democracy.

**The Peasant's Awakening.**—Fortunately, there is a growing recognition that the social and the political problem cannot be solved without going down to the very roots of the Indian social and village structure. We see already the signs of this when we find the peasant mass point of view articulated in our social and political programmes. More and more is our attention diverted from middle-class politics and education to the fundamental problems of a peasant mass movement. Grain riots, labour organisations and strikes are not confined to industrial centres. We see here and there the rudiments of peasant unions and active combinations against absentee landlords, sometimes covering whole districts and successfully resisting short measurements and illegal cesses, the forcible execution of agreements to pay enhanced rents and the supersession of forest rights. We see also the beginning of an agricultural labour organisation which refuses *begar* or forced labour. The Co-operative organisation has come to stay in the villages, and it contributes not a little in arousing mass-consciousness. The Non-Co-operation movement also has engendered a new spirit among the peasantry. No longer do the established rights of landlords, tenants and agricultural



workers stand as sacred taboos in village *panchayats*. Ireland has had its Houghers and its Levellers, and its letting of blood that cries from the ground; agrarian crime in India has taken the form of fire-raising and bazaar-looting, and there have not been wanting instances in which peasants have murdered a landlord or a moneylender merely by way of warning.<sup>1</sup> It is thus that the elemental economics and politics of the field impress themselves on our attention as the foundation of our national policies and programmes.

<sup>1</sup> Field : *Landholding*.

## LEGISLATIVE REMEDY FOR THE SUBDIVISION AND FRAGMENTATION OF HOLDINGS

BY

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The aim of this article is not to discuss the economic evils of subdivision and fragmentation of holding. That excessive subdivision of land resulting in what are technically known as "uneconomic holdings" impedes cultivation and lessens agricultural produce to a considerable extent is an indisputable fact which must be admitted by all reasonable people, whether theoretical economists or practical agriculturists. The introduction of a Bill in the last session of the Bombay Legislative Council to prevent the excessive subdivision of agricultural land and to promote the consolidation of such land has raised a storm of protest mostly irresponsible and wholly destructive. For instance, somebody wrote in the "Times" that rather than consolidate small holdings, the Government had better turn their attention to lands which are lying fallow for want of capital, or those which are left uncultivated owing to the carelessness of the landlords. No one says that the last two evils do not exist. Nothing, however, is gained by confusing the different problems which alike call for solution. Again, some vernacular papers have scented in the Bill a hidden motive on the part of Government to introduce large-scale farming in this country so as to get a market for "Home-made" tractors. What has not drawn adequate attention is that the Bill only aims at preventing subdivision

below a certain limit and that this standard unit which, in other words, is the minimum necessary for profitable cultivation is not one large enough to afford "Home-made" tractors.

The next question that arises is as to how far legislative interference can undo this evil without at the same time proving worse than the disease. In this case, we can take a leaf from the economic history of other countries like Denmark and Holland, which though containing a better educated and more homogeneous peasantry found it impossible to depend entirely on voluntary effort. Nor has the type of permissive legislation introduced in the Punjab made any considerable headway. Much less can it succeed in Bombay whose villages have a more heterogeneous population, mostly illiterate and superstitious, not capable of having any "enlightened self-interest." The very fact that lands are divided into very small pieces among the heirs on the death of an owner shows that no amount of sermonization or permissive legislation will make the brothers cultivate their land jointly. If compulsory legislation has succeeded elsewhere, there is no reason why it cannot succeed in Bombay.

We will now examine the Bill which was introduced in the last session of the Legislative Council by Sir C. V. Mehta. The problem is broadly divisible into two parts: to consolidate the already existing uneconomic holdings so as to remodel them into holdings which are of a size which can profitably be cultivated and to prevent any further subdivision of land into uneconomic holdings. Let us see how the Bill aims at achieving the first. According to clauses 10 to 18 of the Bill, after the standard units have been fixed for any area, any person who desires to transfer his land which is smaller in size than the standard unit shall give the first right of refusal of it to the owners of adjoining lands and it is only when no neighbour has notified his desire to exercise such right that the owner can sell his land to any other person. This is all right, so far as it goes; but, it cannot go far as cases contemplated by the above clauses will be quite few.

The second part of the Bill contains a comprehensive scheme of consolidation to which no serious objection can be taken. But, a few suggestions may be made. The majority required in any village before the scheme is to be introduced, which is two-thirds under the Bill, will be too large to be secured. With the general ignorance and "stick-to-landiveness" of our villagers, coupled with a "hue and cry" of encroachment on liberties which half-educated wiseacres are sure to raise, it will be impossible to find the required two-thirds majority. So, if the scheme is to be brought into effect, the minimum number of cultivators whose consent is necessary ought to be reduced to one-third of the total number of cultivators.

Secondly, there ought to be a stipulation that in carrying out any consolidation scheme, none shall be dispossessed of their lands unless it is absolutely necessary. As far as possible, uneconomic holdings ought to be made economic by the addition of slices cut from big lands. The ownership of such a slice can be retained by the proprietor of the larger land, if his neighbour cannot buy it out. It can, in such cases, be held as a sort of permanent and inalienable lease. For, "it is not the ownership of uneconomic holdings but their cultivation which is harmful."

Also, the time of consolidation would be a good opportunity to reserve some area in a village for grazing purposes. The steady deterioration of our cattle, of which the absence of grazing areas is one of the main causes, is too well known to need repetition. This will be a splendid opportunity to remedy this defect. The management of the common village green ought to be vested in a representative village council.

Fourthly, half at least of the expenses of consolidation should be borne by Government. Else, consolidation will leave all cultivators with a burden of debt which will neutralise all the good effects of consolidation.

One serious objection can still be raised. What about those who will be dispossessed of their lands? Are they to be sent

abroad into the world to swell the ranks of the unemployed with a few rupees paid to them as compensation which will soon go into the pockets of the moneylender? The framers of the Bill do not seem to have given much thought to this aspect of the question. We have already opined above that the aim should be to create as many economic holdings as possible and that for this purpose, big lands ought to be divided. To that suggestion we would add that, as far as possible, only those among the poor shall be dispossessed who have other means of livelihood. Secondly, any waste lands at the disposal of Government ought to be given to dispossessed people. If, even after this, some remain, they should not be compensated by a lump sum but by an annual payment which is to be roughly equal to the net income of the land which they have been dispossessed of. This will not make their position worse than it was before, as payment in one lump sum is likely to do. Some kind of scheme like the one outlined above to deal with the question of the dispossessed is essential to make the Bill really benefit the people.

We will now examine the other clauses of the Bill which aim at preventing further subdivision of agricultural land into uneconomic holdings after the Bill has come into force. For, unless that is stopped, there is no use of consolidating the existing holdings. The Bill devotes only five clauses to this part of the problem. Briefly, what the Bill proposes to do is this. By clauses 17 and 19, any sale, exchange or any other kind of transfer of a new fragmented holding (*i.e.*, an uneconomic holding which comes into existence after this Bill has become law) is illegal unless it is to a neighbour, and the cultivation of any new fragmented holding, unless it is combined with a contiguous plot or plots so that the total area so cultivated shall be equal to or exceed the standard unit, an offence.

Anybody who knows anything of the social and economic condition of our villages can easily see how mischievous and disastrous the effects of these two clauses will be. According to

them, the owner of a new fragmented holding will have either to sell it to his neighbour or lease it to him or get a portion of his land on lease so as to make a cultivable piece by adding it to his own land. Now, his neighbour must either be a man with an economic unit or a man without one. If he is the former, he does not gain much by any of these three transactions. Nor does he lose anything by refusing to have any, as he possesses an economic holding, whereas the other man will have to keep his land fallow unless it is combined with his neighbour's land in some way. It will be a life-and-death struggle for the latter, while the former will be in a position to dictate terms to him and ultimately to pocket his land for a nominal price.

If his neighbour is a poor man like himself, the only way open for both of them is to join their pieces together and cultivate them jointly. The spirit of co-operation is rare in our villages. Where brothers cannot agree, how can strangers do? Dual ownership will mean nothing but quarrels and litigation. Cultivation will be impossible when both cannot agree and litigation will ultimately swallow the land of both. Already, litigation is ruining our villages and this will but increase it further.

One of the above two results is bound to follow. The Bill is bound to fail so long as it does not recognise the cardinal principle that force to be beneficial must be accompanied by a constructive scheme. The framers of the Bill seem to have fought shy of this and have not cared to consider what the result of their measures are likely to be.

The only way to stop further subdivision of land is to *stop* it directly and not by this vague and roundabout method of preventing cultivation of new fragmented holdings. The enactment ought to give a constructive scheme which is to replace the present system of inheritance.

If we go to the root of the whole matter, we find that the excessive subdivision of agricultural land is due mainly to the

decay of the joint-family system. The Hindu and Mohammedan laws of inheritance which allow the division of property among all the heirs were in existence from a long time; but, so long as the joint-family system was there, the head of the family managed the cultivation of the family land. We are certainly against changing the democratic principles of Hindu and Mohammedan law, nor is it advisable or possible to force a social system like the joint-family system against the trend of social forces. But we do believe that the essential feature of the joint-family system so far as the family land was concerned, *viz.*, its undivided existence and cultivation, can be introduced—and therein lies an effective remedy against excessive subdivision.

The framers of the Bill have realized that “some interference” with the existing system of subdivision of property is necessary but have not tackled the problem fully. The clause (21) of the Bill says: “At the partition of an estate paying land-revenue to Government in any local area for which standard units have been fixed, the Collector shall so divide the estate as not to leave any fragmented holding. The land shall be first partitioned among those whose shares equal or exceed the standard unit. If any portion is left over, it shall be divided into as many shares as can be made without creating a new fragmented holding and allotted to those of the remaining sharers whose shares are the largest. The rest of the sharers, if any, shall be compensated in money for their shares on a valuation made by the Collector and distributed *pro rata* among the sharers provided with land in the prescribed manner.” The sub-clause (2) of the same clause runs as follows:—“If there are several sharers equally entitled and there is not enough land for all of them, the Collector shall, in the absence of any agreement among them, select by lot as many of the sharers as can be provided with land without leaving a fragmented holding or creating a new fragmented holding and the rest shall be compensated in the manner prescribed in sub-section (1).

This clause will prove useful in those cases where land is divided not merely into as many parts as there are heirs, but prior to this it is divided according to quality into some parts and these pieces are again divided among the heirs. The interference of the Collector can put a stop to this common practice which, though actuated by a motive of scrupulous equality of division, is really an unnecessary evil making the worse of a bad bargain. But, what about those lands which cannot be divided at all without creating uneconomic holdings? These lands must be evidently small and if only some of the heirs are to inherit it, where are they to find money to compensate the rest? The inheritor or inheritors of a piece of land which cannot admit of any more division must necessarily be not rich people. That means, they will have to succeed to the family property with a burden of debt on their backs—an evil which is certainly to be avoided. Nor is this all. Money rarely remains in the hands of our thriftless villagers, and those who have received the paltry compensation will soon be paupers.

The sub-clause (3) is equally mischievous. It requires the Collector to auction all the fragments of an estate if it cannot be divided in the manner prescribed in the sub-clauses above. The result will be that the neighbours will pocket them at a nominal price. If they cannot be disposed of, they are to be returned to their owners and treated as “new fragmented holdings,” with clauses 17 and 19 in existence to prevent their cultivation. The sins of their rich neighbours in not buying their lands are to be visited on the poor.

The Bill thus is crude and defective. The only way to prevent further subdivision of land into uneconomic holdings is to enact that where land cannot be divided without creating uneconomic holdings, the land shall be inherited by the eldest of the members entitled to a share and others shall get a proportionate part of the net income from the land. The net income can be fixed at the time of revenue settlement and it can be reduced



or increased for any year if any of the parties concerned satisfies the revenue authority that the actual income has decreased or increased owing to causes not in the control of the party cultivating the land.

Let us consider some of the objections that can be raised against this provision. In the first place, it may be urged that this would mean profit to the eldest brother at the expense of others. This objection loses its point when it is remembered that the younger brothers would otherwise have got only an uneconomic piece. The cultivation of land in one compact block will naturally yield a great deal more and therefore their share of the net income is bound to be at least equal to, if not more than, what they would have got by cultivating an uneconomic plot individually. So they do not lose in any way, while the country gains by the increase in agricultural produce.

The second objection that can be raised is that it will throw the other brothers out of employment. The answer to this is to ask the objectors what they mean by employment. If they mean by employment any work undertaken for the income it brings, then their argument has no value. For, the other brothers now get without work what they would have got formerly with work. Besides, there is nothing to prevent them from working on the family farm if both they and the eldest brother agree.

A more serious question would be, how to share increased yield which is the result of any improvement? This is a problem which faces all contractual relations in agriculture, that of landlord and tenant, or that of Government and the ryot, in other words, all relations where somebody has a right to demand something from the actual cultivator. No mathematically accurate solution of the problem is possible. What we can hope for is some kind of adjustment in accordance with the principles of equity and commonsense. The following general maxim can be laid down: Where the increased yield is due entirely to the cultivator's own personal efforts, he should reap the full benefit,

Where it is due to any permanent improvement such as the sinking of a well, it should be shared by all, so also the expenses. This will not discourage the actual cultivator nor defraud others of their due. If the eldest brother is in constant default, the Revenue authorities should be empowered to deprive him of the land and give it to the next senior sharer.

The measure we have outlined above will effectively solve the problem of preventing further subdivision of land. It will not be a drastic or revolutionary measure inasmuch as it is but an adaptation of the system of cultivation of the family land by the eldest member which was in existence until recently. It will make the farm a fixed and permanent unit, thereby ensuring good cultivation and facilitating improvements. It will not deprive anybody of his due and will work with the minimum amount of friction. We commend this measure to the members of the Legislative Council in whose hands a solution of this problem lies.

# CO-OPERATION AND EDUCATION

BY

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## Introduction.

The subject of Co-operation and Education is so vast that its exhaustive and comprehensive exposition seems somewhat difficult. Therefore, I deem it wise to confine my discussion to the four main aspects of the question only :

- (1) What are the aims of Co-operation and Education and how far are they identical?
- (2) How far education is essential for the success of Co-operation and what part Co-operation plays in the advance of education?
- (3) How the educated persons can be induced to take part in the Co-operative Movement?
- (4) What Co-operation and Education can do by working together?

## Co-operation—Its Aims.

Co-operation is the new religion of thrift, self-help, self-sacrifice and social service. It is the religion of Unity in Multiplicity and Multiplicity in Unity. It teaches us that each one is for the good of all; and all are for the benefit of each. Each man shall work for all and all shall work for each is its first commandment. Its cardinal virtues are thrift, integrity, self-reliance and self-surrender. It stands for moral uplift, for honesty and for the homely virtues that count so much in the daily lives of the people.

The co-operative estimate of humanity means a new outlook on life—on the individual and his relations to the family, to the nation, and to the world. The co-operative movement is a struggle, not against individuals or any class or party, but against a social system based on selfishness and working through competition. Our destiny is the Co-operative Commonwealth, which shall have for its foundation, sure and strong, the freedom of the individual to develop himself, in peace and through industry, for service in the common good. Every man has a natural right to food, to raiment and to shelter. The co-operative principle is that these common needs shall be satisfied not by trading for individual profit, but by exchange for mutual benefit. ‘Love thy neighbour as thyself’ is the teaching of co-operation. When man no longer lusts for private gain the barrier to right relations between men and between nations will be removed and this will lead to the establishment of economic brotherhood which co-operation aims at. It aims at Better Farming, Better Business, Better Living. It stands for the freedom of the individual and aims at the material, social and moral uplift of the masses and economic emancipation of the population. It makes people better men, better citizens and better patriots. It is a national movement and its aim is the reconstruction and organisation of the country and creating true national life. It leads to Self-Government and makes India a nation. In it lies the salvation of the Punjab, nay, of the whole of India.

### **Education—Its Objects.**

The entire object of true education is to make people not merely do the right things but enjoy the right things, not merely industrious but love industry, not merely learned but love knowledge; not merely pure but love purity, not merely just but hunger and thirst after justice. The end of education is to prepare us for complete living. For complete living we must know in what way to treat our mind, in what

way to bring up a family, in what way to behave as citizen, in what way to utilize those sources of happiness which nature supplies, how to use all our faculties to the greatest advantage of ourselves and others. Education makes us men and teaches us the methods by which we can advance our economic and moral prosperity.

Co-operation and Education, therefore, in addition to their special objects, stand for the amelioration of the poor and have the common aim of improving the material, social and moral condition of the people.

Now let us see what part education plays in the advancement of co-operation.

### **Education—Its Help to Co-operation.**

It is an open secret that Co-operation without education is a dead force; it is doomed to failure. Education is essential for Co-operation. Co-operation cannot achieve a great success in a country where the people cannot read and write and don't learn its main principles. Its success lies in the education of the masses. Why is it that the progress of the co-operative movement in India has been slow, at least in its beginning? Some think it is because the idea was new to the people and therefore they did not readily accept it, while others say that the people were not convinced of its potentialities and therefore were afraid of coming into its fold. But the right answer is the appalling illiteracy of the people. The greatest obstacle in the way of the co-operative movement has been and is illiteracy. A body of illiterate men, however much they may learn co-operative principles by rote, are not in a position to translate those principles into action. They are necessarily dependent on their literate neighbours for help and guidance. Books, pamphlets, magazines, libraries, even films and slides, cannot prove of much use to the people who are illiterate; and very little is effected unless the message is orally delivered to each man. The best form of oral

teaching is by song, a lesson long ago learnt by the Folk High Schools in Denmark, and rugged bards have sprung up in several districts of the Punjab who express themselves with a pungency that pricks the guilty mind.

### **Services of Schoolmasters to Co-operation in other Countries.**

We, then, see that the success of Co-operation depends on the spread of education and it is the educated people, especially the schoolmasters, who have been responsible in many European countries for the establishment and spread of the co-operative movement. Co-operation in Roumania, an agricultural country now rapidly advancing, was practically founded by schoolmasters, and to-day there is scarcely a village throughout the country in which co-operation is not widely spread, and it is still in many cases under the guidance of the schoolmaster.

The schoolmaster has great powers. In other countries it is the schoolmaster to whom everybody turns for help. He is the man who feels it his duty, as a servant as well as a leader of the community, to help everybody who turns to him. The schoolmaster shares and guides all local interests.

### **Limited View of our Schoolmasters.**

But here in India the schoolmaster has a very limited view of education and of his responsibilities and also of his powers. There are very few who study books on any other subject except their own, and this narrows their outlook. The schoolmaster has been aptly described as a nation-builder. India is a country of illiterate people and the schoolmaster can act as a national constructor by removing illiteracy. He should take co-operation as a means of creating national life in his country. Removal of illiteracy will make the villager a good citizen and a better moral being as in Denmark, where the Folk High Schools have achieved great success in this respect. So far as the young men of the Universities are concerned, the field of co-operation offers a unique opportunity. Let me remind you of the example of the University

students of Finland who, when they saw their country lagging behind in the march of progress and getting economically impoverished, banded themselves for the work of co-operative organisation and did not rest content until they had organized the whole country for co-operative education, sale and distribution, and thus not only saved their country from ruin but brought it back to economic prosperity and to the rank of progressive nations.

### **Rural Community Councils.**

The Rural Community Councils in Scotland and the English Village Club Associations in England, composed of many of the most prominent leaders of public life, are making organised attempts to resuscitate the villages by the encouragement of agriculture, by inducing and providing facilities to educated men to settle down in the country in agricultural pursuits, by the spread of adult education, by the resuscitation of village industries and the creation and encouragement of new ones, by the holding of extensive lectures throughout the rural areas at various places in close conjunction with the Universities of Oxford and Cambridge, and by the systematic organization of amusements and sports to render village life more attractive. Then, again, in Japan there are in every village clubs of young men engaged actively in constructive work in helping the improvement of the village industries, agriculture and co-operation. This work is considered necessary for the welfare of highly industrial nations like England and Japan; and how much more important it is in India where village life represents a larger percentage of national resources both in men and wealth than in any other civilised country in the world and where any neglect of village life is sure to be attended with disastrous consequences to the nation!

Fortunately for us a Rural Community Board has been established in the Punjab year before last with its headquarters at Lahore and having branches in districts, which are known as Rural Community Councils. The object of this board is the

enlightenment of rural and urban citizens. The agency through which this board can work successfully is quite rightly the school-master in the town or in the village.

There is a vast field of work for this board to perform, which may be classified under the heads:—

(1) Wealth; (2) Health; (3) Education; (4) Amusement and Recreation; (5) Settlement of petty disputes.

Here is a golden opportunity for the schoolmaster to work in close connection with the co-operative department. Let him rise to the occasion. The future of India rests with the schoolmasters, the destinies of the rising generations are in their hands. They should realize their vast powers and great responsibilities and toil ceaselessly in freeing India from economic and moral servitude, which can only be done by co-operating with the co-operative department.

### **Co-operation—Its Aid to Education.**

We have seen that education is essential to Co-operation, and Co-operation cannot achieve great success without education. Now I will show what part Co-operation plays in the advancement of education and how it can bring the educated people in its fold.

### **Compulsory Education.**

The Compulsory Primary Education Act has not been so readily accepted as one would have desired, not because there is no desire for education but because the compulsion comes from outside which the people abhor. A new method has been found out by the Co-operative Department in the Punjab to make compulsory education more attractive by the establishment of Co-operative Compulsory Education Societies.

We have in the Punjab now 158 Co-operative Compulsory Education Societies with nearly 7,000 parent-members and about the same number of children. Seven of these are for girls. And members of these societies are parents who pledge themselves



under by-laws to send their children, boys and girls, regularly to school. The defaulters are fined not by any outside authority, but by their own committee. These societies have an advantage over the ordinary compulsory education system in this respect that in this case compulsion comes not from outside, which is always repugnant to the people, but from inside, from the members themselves, to which they readily surrender. They have stimulated a desire for education and are making the path clear and easy for the introduction of the Compulsory Primary Education Act.

It is highly desirable that District Boards should start schools at places where there are Compulsory Education Societies but no schools.

One of the greatest obstacles which hamper the progress of education at the present moment is that the number of the students decreases as we go up from the first to the fourth class. Even the Compulsory Education Act has not been able to tide over this difficulty. The solution lies in the organization of the Co-operative Compulsory Education Societies which can go a long way in producing the desired result.

### **Adult Education.**

India cannot wait for the time when all her boys will be educated. She must educate her adults along with the boys if she is to derive any lasting advantage from responsible self-government, towards which she is rapidly advancing.

The screen of ignorance and illiteracy in the villages is so thick and opaque that the villagers are not able to see even where their interests lie and which way they should turn for salvation. In the Punjab it was the Co-operative Department which realised the importance of adult education first and the credit of establishing the first adult school in the province goes to it and its example has been followed by the educational authorities. There are now 201 co-operative adult schools in the Punjab and 6 are for women. The number of members exceeds 4,000. Whenever a District Board

is willing to take over a co-operative school the Co-operative Union gladly transfers it. The Union is not its rivals; its work is that of pioneers. Here is a vast field for the educated people to serve the co-operative movement by offering their services for the teaching of the adults. The days of illiterate men are past, and educators and Co-operators agree that if India is to be a wise and a strong nation, her men and also women must be literate and broad-minded. We find that men lapse into illiterate habits after they leave the school. This defect can be remedied by means of Adult Schools, Evening Classes and Reading Rooms.

### **Better Living.**

India wastes a good deal of money every year in extravagant expenditure on marriages, funerals, bad customs and evil practices. She cannot become a rich country unless this wastage of money is stopped. For this purpose we have 136 Societies of Better Living in the Punjab with more than 5,000 members. Educated people can help these societies in two ways. They can show by their own example what better living means and they can help others in removing evil practices.

### **Arbitration.**

One of the causes of the poverty of the Indian peasant is litigation. Co-operation tries to stop litigation by means of Arbitration Societies in which members undertake to lay all their disputes before a Panchayat. If a member goes to a law-court instead of referring his quarrel to the society for decision, the committee can fine him. We hope to revive the Panchayat system by means of the Arbitration Societies in India.

### **Co-operative Distribution.**

Then we have 130 unregistered School Supply Societies with a membership of 24,000 and their turn-over during the year 1926-27 was about Rs. 1,00,000 (rupees one lac) for the most part in stationery. These societies purchase stationery and other school

materials at wholesale prices and then sell them to their members, the schoolboys, at market rates. These societies have proved of some use in spreading the co-operative idea among the schoolboys. The Khalsa College and the Reformatory School at Amritsar, with 4 Normal Schools elsewhere, sold articles worth Rs. 66,500.

### Thrift

Co-operation is nothing but a combined effort to avert all forms of waste in human affairs and to effect economy in the interest of the community and of its individual members. Thrift is both an individual and a national virtue. It is needed not only for the well-being of the individuals practising it but also for the advance of the whole community. A country's prosperity, its industries, trade and commerce all depend on the thrift of its people. An unthrifty man is his own enemy and a traitor to his country. And thrift is the proper sphere of the schoolmaster in the Co-operative movement. There are 740 thrift societies consisting mostly of schoolmasters in the Punjab, with a membership of over 12,000.

All these various forms of Co-operation—Compulsory Education, Adult Schools, Better Living, Arbitration, Supply and Thrift—play an important part in the spread of education, and make the educated people, especially the schoolmaster, interested in the Co-operative movement which is so very essential for its success.

The schoolmaster can serve the Co-operative Movement in various ways. He can act as a Secretary in an Illiterate Society; he can help the Adult Schools by offering his honorary services; he can work as a friend, philosopher and guide in Better Living and Arbitration Societies. But he must acquaint himself with at least the basic principles of Co-operation, if he is to be of any real use. Because, as remarked by Lord Linlithgow, Chairman of the Royal Commission on Agriculture, the greatest enemy of the Co-operative Movement in this country as in any other is the

uninformed enthusiast and the people who think that enthusiasm and zeal can take the place of careful study and exact knowledge. They cannot.

### **Co-operation—How Educated Persons can be Interested in it.**

Now let us consider the measures which should be adopted for the spread of Co-operation in schools and colleges and among educated classes.

We have already seen the various forms of Co-operative Societies which can go a long way in making the educated persons interested in the Co-operative Movement and can induce them to join the Co-operative brotherhood for their own benefit and for the benefit of the country and the nation.

### **Lectures.**

In addition to these measures the system of lectures, which is the most effective method of propaganda among educated classes, has been adopted and is acted upon by the Co-operative Department in the Punjab from the very start of the movement. Now that the movement has reached a stage at which it must progress rapidly without much effort we should make an organized attack on the educated classes by means of lectures and win them still more to our side so that they may co-operate with us in spreading the true principles of co-operation, which is so very essential for the safe progress of the movement.

### **Co-operative Lessons.**

It is highly desirable that Co-operative lessons should be introduced in the text-books of the schools and Co-operation should be included in the curriculum of the University. We have already a few books in Urdu such as "Rafiq-i-Zamindar" by Khan Bahadur Sheikh Nur Ilahi, which contain co-operative lessons. Such books should be multiplied and introduced in schools.

### **Co-operative Reading Rooms and Libraries.**

If we are to induce the educated persons to take interest in the study of Co-operation, we should establish 'Co-operative Reading Rooms, with Co-operative Magazines, Periodicals and Journals. These Reading Rooms will prove of immense value in spreading the true principles of Co-operation. We have already started vernacular libraries at the headquarters of small Central Co-operative Banks and Banking Unions in the Punjab.

### **Films.**

The possibilities of cinema as an educative influence have long been realised and in the Punjab two Co-operative Films—One on Co-operative Credit and the other on Cattle Improvement—have been prepared locally. The Credit Film has already been shown to Their Excellencies the Viceroy and Lady Irwin and Sir Malcolm Hailey, Governor of the Punjab, and also to the Members of the Royal Commission on Agriculture, all of whom have greatly appreciated it. These films will now be shown at different places in the Punjab and will demonstrate to the uneducated a phase of life in a manner that could not possibly be so successful through any other medium, and to the educated the presentation of scenes which could not be so faithfully described by the most persevering historian. It is believed that these films will bring many an educated people in the fold of the co-operative movement.

### **Demonstration Train.**

A very interesting experiment has been started in the Punjab in which all the beneficent Government departments are co-operating. A Demonstration Train, fitted by these departments with their films, charts, graphs, pamphlets and other exhibits runs from station to station and attracts a large number of anxious people and demonstrates the various directions in which improvements can be effected. The scheme is novel, interesting and instructive and is proving of inestimable value in rousing educated

and uneducated persons to the potentialities of the co-operative movement.

**What Co-operation and Education combined can Do for India.**

India is crying for self-government; but democracy in the hands of illiterate and ignorant persons is a dangerous instrument. The electorates in India are illiterate and do not know how to exercise their vote. Self-government cannot be a boon to the country unless we educate the electorates and the voters in the art of self-government, and the best way of educating them is by means of Co-operation. Co-operation leads to self-government and makes India a nation. A Co-operative Society is a true parliament.

The salvation of India lies in the spread of both Co-operation and Education. Co-operators are always too glad to stretch their helping hand for the spread of education, and it would not be too high a hope for them to expect in return from the educated persons their ungrudging help in the advancement of co-operation. Thus and only thus can India attain self-government and free herself from the economic, social and moral servitude and can stand shoulder to shoulder with the free nations of the world. Therefore let us rise to the occasion and gird our loins not to spare any sacrifice, however great, for the achievement of this noble and high aim by means of Co-operation and Education, which are two twin sisters.

# CO-OPERATIVE MAKETING OF FARM PRODUCTS

BY

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**Present System of Distribution.**—The producers in manufacturing are very able and strong. Large-scale manufacturing on the capitalistic system makes it inevitable. So very often they control everything and dictate their terms, but in farming the producers are poor, small, ignorant and unorganised, very often they are heavily under debt and consequently are not only unable to hold their produce for better prices but have to turn over every grain of it to the rapacious moneylender who uses false accounts and all other tricks to hold the poor wretch in his clutches for ever. The dealers on the other hand are rich and strong, well-informed about the market conditions all over the world. In addition to the forced, blind and sudden dumping of his products on the part of the producer, he foolishly, with a curious short sight, indulges in the harmful practices of adulteration by mixing water, dirt and other materials to increase weight and by mixing lower grades with superior grades. As a result of thus spoiling the quality he suffers very much through lower prices and deductions. Hence special treatment is needed to meet the situation and punish organised large-scale business with its own weapons.

**Co-operation in Marketing of Farm Products** strikes at the root of the evil and its benefits spread in all directions in the shape of better prices, steady markets, improved quality and larger quantity of the products through grading and better methods and

cheap easy credit enjoyed by the society of Co-operative marketing gives the farmer a dominating influence in disposing of his products. Five things are necessary for this: (1) Organisation on commodity basis, (2) Binding legal contracts, (3) Grading, (4) Pooling of produce of one kind, (5) Use of best business methods.

**Organisation on Commodity Basis.**—Co-operative associations on locality basis are alright for credit and consumption, though co-operative credit societies also should be properly classed as commodity organisations. The fact that they were separate units greatly curtailed their usefulness. The central banks had to be organised and the Government had to keep up the loose organisations at great expense and trouble. But small individual societies selling separately are unable to prevent blind, ignorant dumping. They are too small to command the services of ablest business executives and the use of the latest business methods; their produce individually is too small to have any appreciable effect upon the market. Lessons from the experience, troubles and failures of such societies in the field of marketing convinced thoughtful workers and observers that this was the wrong type. Co-operative Marketing Associations organised for single commodities or a group of closely allied products, covering entire provinces or preferably the entire part of the country growing each commodity in question, are necessary to control large proportion of the supply in order to influence the market effectively. Only such large organisations can collect reliable crop forecasts over extensive territories and can secure information on crop conditions and forecasts from foreign countries growing those products; only such organisations with the help of able experts can properly study and interpret supply and demand conditions on an international scale which is necessary for successful marketing. Also large associations handling enormous amounts of the products can afford to get the services of the ablest business executives and experts and can introduce latest and most efficient business methods, because the overhead expenses though very large in



absolute figures keep very low when spread over the still larger quantities of products handled by them. Control of from 50 per cent to 75 per cent. of the produce is considered necessary to ensure success for an organisation. Also non-members profit as well from the trouble and sacrifices of the members through general improvement of the market conditions. Hence, the aim is to include all, and justice too requires it. Federation of such associations makes them still more effective and powerful and reduces expenses still further. When one organisation deals with only one major commodity, one farmer producing half a dozen commodities might belong to half a dozen associations, which would exist and work side by side though each on national scale. And they might co-operate when and where necessary. Very often the same persons participate in the affairs of two or more organisations. In India different departments within one big organisation, might handle different commodities when such an all-inclusive organisation is supported by the Government, and some other modifications might be advisable due to the previous existence of societies for credit.

**Binding and Valid Legal Contracts.**—Outside traders use inducements and unfair means to break up such organisations and bring about the same disorganised and helpless conditions of the producers. Binding legal contracts with “teeth” in them to enforce fulfilment are therefore necessary to keep the members from slipping back. The members agree to sell all their produce through the association but may sell outside on payment of penalties more than enough to meet overhead and other organisation expenses at fixed rate of so much per pound or per ton. This takes away all inducement to sell outside and secures the co-operative association against loss and failure due to unfair pressure. Very soon the traders get tired and leave them alone. The contract should run for a fairly long period, never less than five years, preferably ten years. Education propaganda and active participation in the affairs of the association are other means to win and hold the interest of the members,

**Grading.**—Quick, easy and sure identification is needed for large-scale and extensive marketing to eliminate confusion, delays, disputes and troubles. Quality based upon proper and true grading can be used as a strong foundation for building and maintaining goodwill, and good business reputation is necessary for quick, easy and profitable repeated selling over extensive, nay, international markets, without any personal touch between the producer and the consumer. The successful association in U.S.A. lay great emphasis upon this. Proper grading is the first thing to be scientifically tackled and solved before operations can be started. Grades and standards set up by Co-operative Associations in U.S.A. are generally so thorough and useful that the U. S. Government adopts them, and uses and supports them with its authority. Infringements are severely dealt with by fines, penalties and rejections, and new instruments and methods are developed to detect violations; experiments with bad eggs are very interesting and instructive. Proper grading and standardizing, moreover, improve both the quality and quantity of the products still further and convince the consumer of their superior value. It is then not surprising that the fruit and other produce from California and other South-Western States sell quickly and fetch far higher prices in the markets of N. Y. and Boston at a distance of three thousand miles than the local ungraded and poorly packed produce from a few miles distance in New Jersey or New England.

Moreover, grading is absolutely necessary for pooling together the produces of different farmers without mixing the good with the bad and superior stuff with the inferior at the expense of better farmers.

**Pooling of Produce.**—It is absolutely impossible to ship and sell separately the produce of different farmers, it is too expensive and troublesome. Under these circumstances uniform and dependable quality necessary for successful marketing is impossible to obtain. It gives rise to favouritism and inequality of returns because of lots of different grades being sold in different places

at different times and at different prices. This leads to friction, troubles and failure. Troubles and failure experienced by the earlier associations led to the pooling together of produce of the same grades. And pooling has proved to be a successful remedy. Every lot sold is a part of the whole, all the proceeds are lumped together (of course by grades) and distributed *pro rata* among the members in proportion to the quantities contributed by them after the whole amount is sold and the dues liquidated by deducting selling and other expenses, and sometimes a portion for interest fixtures and reserves. This ensures equal advantages and satisfaction to all.

**Scientific Selling.**—Grading and pooling, organisation on commodity basis have already been mentioned as part of scientific selling. The co-operative associations employ the ablest business executives and managers and use the latest and most efficient business methods in management. Still they are always on the look-out for newer and better methods. Crop forecasts are obtained on foreign territories even, to get full information of the coming supply. Stocks with warehouses and mills are watched, demand conditions and any new developments in them are studied. Thus supply and demand are compared and studied by able experts to arrive at proper marketing policies and plans to be adopted. No efforts are spared to develop selling both extensively and intensively. New uses of the products are discovered and taught by displays, booklets and by preparing and lending new machinery to aid consumption. Sunmaid Raisins and Sunkist oranges are good examples. The Sunmaid Raisin growers spend three to four million dollars every year in advertising alone, they do so much of advertising to increase and maintain consumption. New, more attractive and handy packages are introduced, new customers and new markets are secured. New methods of preparation and handling are discovered and used—such as canning, refrigeration, curing and drying of fruit, special treatment and preparation of eggs, etc. They spare no expense or trouble over these. The California Poultry Association selected New York for their market

but New York takes no brown eggs, hence all the hens that laid brown eggs were killed. The consequence is that crops many times what they were before have been sold and at higher prices than before, because intelligent and aggressive marketing policies and practices went and found out new markets and new customers, and their better products and their better and new uses increased consumption.

**Credit.**—On the security of warehouse receipt of stored produce, loans can be obtained from banks up to 80 per cent. of its value when the markets are steady. This enables the associations to make advances to their members on their produce before it is sold, thus they can hold out for better prices. Bankers and financial institutions quickly realise the strength and importance of such associations and begin to co-operate with them to mutual advantage. Special institutions grow up to handle their business.

**Business Methods: No Magic in Co-operation.**—In Co-operative organisation there can be no short-cuts. Co-operative marketing can succeed only if it is run on sound business principles and uses the latest and most efficient tools, systems and methods developed and employed by organised large-scale businesses. Use of ablest business executives and best business methods is necessary for success. They prove cheaper and more profitable in the long run, as compared with low-paid inefficient men and cheap unbusinesslike methods that often bring failure and ruin. This has been the main cause that has dwarfed or killed the co-operation movement everywhere. Large co-operative associations in U.S.A. and Canada have found out this secret.

**Membership and Management.**—All producers whether small or large, who have crops of their own to sell, whether they produce themselves or employ others, are sought for membership. This makes available the services and sympathies of able, intelligent and well-informed business executives. Outside businessmen and Government officers also are often nominated to the committees

and boards of administration to impress upon the public mind that no unfair objects are cherished or unfair methods used. In India the Government would of course play the leading part.

**Success in Canada.**—"Canada seems likely to become another El Dorado for the young ambitious adventurer. Amazing prosperity is indicated everywhere in the Dominion. Townships are springing up overnight in Quebec. Industrial centres complete from church to cinema are growing to astonishing preparations in an incredibly short time; every one is looking forward to a continued prosperity unknown since pre-war days. There is no unemployment. While the recent coal strikes diminished British purchases from Canada last year, Canada has increased her orders. The savings deposits in banks are higher than they have ever been. In Mining, Agriculture and Manufacturing there is a tremendous increase. Co-operative marketing seems to be the secret of this expansion. The Pool system is hardly known in Europe. For instance, whole Western wheat crop of the country is marketed on co-operative lines. The pool-proceeds in 1925 amounted to £50,000,000. Egg and poultry and tobacco pools are established and tobacco-growers are migrating in large numbers from Kentucky. The pool system simply prevents the market from being casually flooded and stabilises prices. Empire trade is expanding with great rapidity and a tremendous field is being opened to relieve English unemployment. Selling agencies have been founded all over Europe. Commercial failures have been the lowest for five years. The Canadian millionaire tourists will be as numerous as the 'regular American Guy' from next door."—*Times of India Illustrated*, Bombay, Sunday, March 27, 1927.

Co-operative marketing associations of the type described above will prove a blessing to the country. Other reforms only scratch the surface. There can be no real reform in the condition of the farmers unless what they produce can be sold profitably.

## NOTES

### RESERVE BANK BILL.

The Reserve Bank Bill is dead. There is scarcely an economist in India who will not regret its demise because the all-important question of central banking is likely to be shelved until 1930, the year previous to the expiry of the Charter of the Imperial Bank of India. The decentralised system of Indian banking with all its weaknesses resulting from lack of co-ordination was emphasised at the recent meeting of economists in Lucknow when, it will be remembered, a paper was read on the principles of central banking by Prof. Findlay Shirras. Central banking after the war has become more urgent than ever. In most countries since 1918 a new consciousness of the power of central banks to control credit has developed and the necessity for exercising it is as clear as the noonday. This is all the more important because, whereas paper credits had expanded enormously during the war, the supply of gold had not, while approximately one-half of it, found its way into the hands of the United States. The control of credit by a central bank is still a subject inadequately explored in India, as indeed in any other country, and it presents a wide field for enquiry, on both the practical and theoretical sides. Sir Basil Blackett, the Finance Minister, was quite right in speaking of the death of the Bill on February 10 that "The Government had reason to believe, and still believe, that informed opinion in the country is generally in favour of the establishment of a Reserve Bank, and the House has, on more than one occasion, affirmed the principle."

Unfortunately this all-important economic question became, as economic questions often do, a first class political question. The Bill was wrecked in connexion with clause (viii) which dealt with the directorate of the proposed Reserve Bank. Government

held that the bank in charge of the credit and the currency of the country should be a shareholders' bank and not responsible to the Legislature and it should be free from domination by sectional or external interests. Principles are the same in every country and where orthodoxy on fundamental principles has been abandoned, endless trouble has arisen. A shareholders' bank with substantial share capital is the only means of producing a directorate responsible to an electorate which is financially interested in the bank's fortunes. A Reserve Bank must be entirely aloof from politics.

The Bill has taken various forms throughout its life-history and no one with a ghost of a notion of political acumen can say that Sir Basil Blackett did what he ought to have done. In September, 1927, the Finance Minister made the capital blunder of changing his position and he coquetted with the extreme left instead of going straight through with his fundamental principle, a principle put forward by the Genoa Convention of Financial Experts and by the Hilton-Young Commission and indeed accepted by the Government of India and the Secretary of State. The stopping of proceedings when the principle was thrown to the winds by the Finance Minister, the visit of the Finance Minister to London after his professed resignation, and his omission to withdraw the Bill before the new Bill was placed before the Assembly are facts which enter into an unfortunate chapter of unfortunate accidents. But let that pass. The Bill as put before the Assembly finally was rightly uncompromising in fundamentals, although in details suitable to the special conditions of India. It proposed a shareholders' bank with a capital of five crores of rupees and a directorate mainly from and responsible to the shareholders. It entirely excluded direct political control and influence. No person was eligible as a director who was not or had not at some time been actively engaged in commerce, industry, or finance. Members of the Legislature were specially excluded from the electorate and the election of a person as a director who is a member of the Legislature shall be void within a month,

unless he ceases to be such a member: If any director subsequent to his election becomes a member of the Legislature he shall vacate his office. As the authors of "Central Banks" (Kisch and Elkin) recently point out, the Banking Commission of the Irish Free State reported on this point as follows:—

‘Mindful as it is of the disasters of past years in all countries where the currency was issued by the Government, and recognising the hazards which come from change of Government, from the development of budget deficits and other evils from which no country has found itself immune, the Commission is definitely of the opinion that the management of the legal tender note issue should be placed in the hands of a non-political and independent body, which shall control the conditions of issue and shall have full control and custody of the securities it holds.’

Indeed all progressive nations have delegated this to an independent body. As the rate of discount is the chief weapon for ensuring the due proportion between the volume of credit, the note issue, and gold holdings, it is sound that the control of the note issue should be entrusted to an impartial authority, the central bank. Space will not permit of a critical survey of sections 17 to 19 of ‘The Gold Standard and Reserve Bank of India Bill, 1928.’ Alas, politics prevailed, and these important issues were not really discussed or considered by the Legislature. We should have liked to discuss such important questions as the legal reserve requirements of central banks, and other points of importance connected with central banks generally. This, however, must be deferred.

In presenting his Budget on February 29 for the year 1928-29 the Finance Minister was brief and businesslike. In nine brief pages he placed before the Assembly a balanced budget. In Sir Basil Blackett’s own words ‘The revised estimate (of 1927-28), like the original budget, exhibits neither a surplus nor a deficit. The revised estimates point to a total expenditure of 127·74 crores and a total revenue of the same figure, including a special appropriation of 169 lakhs from the (Revenue Reserve) Fund. Exclusive



of this last item, the variation in the net result amounts to 3 lakhs only. Here again, we have reason to congratulate ourselves on the success of our budgetting.' The aggregate revenue of 1928-29 is put at Rs. 132.23 crores and the expenditure at Rs. 129.60 crores. There is thus a surplus of Rs. 263 lakhs. The Government of India proposed that Rs. 258 lakhs of the surplus shall be utilised for the complete and final remission of provincial contributions, leaving a small surplus of Rs. 5 lakhs in the Budget. The Budget imposes no new taxation and provides a surplus, in spite of the reduction in the customs tariff, sufficient to extinguish the Provincial contributions.

It is interesting to compare the position of India's debt now and five years ago as given in the Budget Speech :

			31st March, 1923,	31st March, 1928,
			Crores.	Crores.
In India	...	...	473.57	532.18
In England (1s. 6d. per Re.)	...	...	405.31	459.43
			<hr/>	<hr/>
			878.88	991.61
Productive	...	...	624.14	812.88
Unproductive	...	...	254.74	178.73
			<hr/>	<hr/>
			878.88	991.61
			<hr/>	<hr/>

Finance abroad, in Europe and America, in the last few months shows a slow and steady return to a more normal state. An illustration is the stability of the French franc round 124 and the possible return before long of France to the Gold Standard. The year 1927 was a good year in the aggregate. On December 21 the Government of Italy decided to fix permanently the gold value of the country's monetary unit. The value of the lira is slightly lower than the lira as stabilized since last June but this slight

fillip to prices may be a helpful influence in starting the scheme. The main outlines of the new scheme are as follows:—

1. The Bank of Italy has to convert at the Central Office in Rome its own notes into gold coin or foreign currencies of countries on the gold basis on demand.
2. The gold parity is fixed on the basis of 7.919 grammes of fine gold for each 100 lire, *i.e.*, 92.46 lire for £1.
3. The Bank of Italy is authorized to compute in its resources all the reserves in Italian lire on the gold basis in para 2, utilizing the excess to extinguish the debt of the State towards the Bank.
4. It is further compulsory for the Bank to retain gold or foreign currency reserves as in para. 1 amounting to at least 40 per cent. of the total of outstanding note circulation *and all other demand commitments*. With the concluding of an agreement with the Bank of England, the Federal Reserve Bank of New York, other central banks and a group of private banks, the Bank of Italy had at its disposal a credit of 16,497,000,000 gold lire (new parity) for the support of the new currency unit, a potential reserve of 94 per cent. against a paper circulation of 17,500,000,000 lire.

G. F. S.

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## TRADE, REVENUE AND STABILISATION.

The actual outturn of the budget estimates for 1927-28 affords a very good test and verification for economic theories of commerce and money. In observing the effects of stabilisation at 1s. 6d. in a single year or two, we must neglect its possible justification by the fact that the value of gold is less than before the war. In a year or two we cannot suppose there has been much change in the purchasing power of gold. The change from 1s. 4d. could not, then, make it easier, but more

difficult, to balance the budget. For, if we think in terms of gold, it means that the Government must pay out more gold,  $12\frac{1}{2}$  per cent. more gold, whenever it paid any wage or grant fixed in terms of rupees. This gold could not be had for nothing. Some of the receipts of Government are also fixed in rupees, but many economists feared that the customs duties and the income tax, which are variable, would remain the same in terms of gold, and therefore be smaller in terms of rupees, other things being equal. The budget statement gives evidence that something of this sort actually happened.

We may first observe that "both imports and exports of merchandise increased in value by 8 per cent," and it is said that, "India's trade reflects the advantages which have accrued from the stabilisation of the rupee." The increased revenue from railways also points to increased trade. I think we would all grant that this is partly due to stabilisation, but the question arises, whether the same good effects would not have resulted if the rupee had been stabilised at 1s. 4d. We find that the income-tax was actually down by about one-thirteenth of what was expected, or nearly 8 per cent. If it had not been for the increase in trade it would surely have come down by the whole one-ninth, or  $11\frac{1}{9}$  per cent. which was theoretically to be expected.

In the case of the customs duties the evidence seems equally clear, although the total was only slightly less than was expected. We find that import duties on cotton piece-goods were 70 lakhs down and on matches 40 lakhs down. These are goods purchased by the people at large and show the general tendency, and would certainly have been down more except for the general increase in trade. The largest increase is 55 lakhs from the export duties on jute. But this is an export duty on a monopoly, and apparently there was unexpected demand. The increased imports of iron and steel, mineral oils, and tobacco, must have been largely paid for in jute. The imported tobacco is of course largely used by those who benefit by the change in the rupee, and therefore could not be expected to decrease. Motor-

cars came down in price again because of the reduction of the duty which was cut in half. The import of motor-cars however only increased 16 per cent., while the import of commercial motor-vehicles increased 35 per cent. The latter increase shows increased business confidence and demand for transport. The demand for pleasure vehicles is apparently not very elastic at present, and it is very doubtful whether it was wise to reduce the duty on these. The increased import of iron and steel may also foreshadow industrial revival.

As it is generally agreed that prices had adjusted themselves to the rate of 1s. 6d. long before the year under consideration began, it might be objected that the changes here portrayed should have been completed a year earlier. But the temporary stimulus to imports and the check to exports due to the change of rate would last for about two years, and incomes would be temporarily kept up by payments agreed on before the change.

The balance of trade, that is, the excess of visible exports over imports was greater than for several years, reaching 36 crores, but the import of treasure was smaller. This can only be partly accounted for by the larger number of students now studying abroad and partly by the export of capital. Sir Basil Blackett shows that for two years the yield on India's sterling  $3\frac{1}{2}$  per cent. securities had been higher than on the rupee  $3\frac{1}{2}$  per cent. securities. This must have been due to the previous expectation that the value of the rupee would be raised even higher. Upon the checking of that expectation capital moved away from the rupee paper to the sterling paper tending to equalize the prices of the two.

On the whole we think the conclusion is clear that stabilisation helped to increase trade, but that stabilisation at 1s. 4d. would have meant a budget surplus of perhaps two or three crores, since the increase of trade merely sufficed to make the budget break even. The increased gold required to make payments at the rate of 1s. 6d. has been found in the increased taxable capacity of the people of India.

\* It is satisfactory to note that a very important question raised in the Report of the Delegates appointed by India to the International Economic Conference held at Geneva in May, 1927, has received the assent of the Government of India. The point which was unanimously agreed upon by the three Delegates was thus stated by them: "Before concluding, we desire to state that during our stay in Geneva we were greatly impressed by the desirability of India appointing an Indian representative permanently at Geneva to watch her interest, as is done by many of the other leading countries of the British Empire and foreign states."

We earnestly hope that the selection of the representative and his despatch to Geneva will be effected within as brief a space of time as possible.

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It appears that the matter of a Levy on Porters at the Howrah railway station was enquired into by the authorities of the East Indian Railway, but the report has not been made public owing to departmental reasons. We trust however that the matter has received adequate treatment at the hands of the Agent. We are not certain whether such departmental enquiries would be without results at other important railway stations.

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We are pleased to note that no special obstacles are placed upon the employment of Indians *as such* as wireless attendants and operators. We sincerely trust that this service will not become the exclusive preserve of any one particular community or race.

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We understand that the question of a Provident Fund scheme for workers in the Ordnance and Clothing Factories is still receiving the consideration of Government. In the absence of Social Insurance schemes generally in this country, we feel that an equitable Provident Fund system, if adopted by Government in its various public utility services, would set a very healthy example for private employers to follow. Some employers,

one is pleased to note, have been working such schemes successfully for the benefit of their employees.

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The question of the Hours of Work and Weekly Rest Day for Railway Employees was raised in the Assembly by that great champion of the Labour's cause, Mr. N. M. Joshi. Sir George Rainy, the Member-in-charge, was able to give the information that the Railway Board had received from the Indian Railway Conference Association a copy of a resolution passed in the Conference in October, 1927, which embodied the result of the Association's consideration of the questions of the hours of work and weekly rest of railway employees, and that the resolution was receiving the consideration of the Government. The Government however understood that the Association were contemplating the formation of a section within the Indian Railway Conference Association which would deal with Labour Matters on the railways. He felt that under the present constitution of the Association it would not be possible for Government to stipulate for the appointment of a workers' representative on the proposed sub-committee of the Association, as desired by Mr. Joshi. We are pleased however to note that the Association have now considered Labour on the Railways to be of sufficient importance to deserve a special section. It is obvious that the efficiency of our Railways, and be it stated that this efficiency is of a markedly high standard considering all factors, cannot be maintained and improved upon, unless the factor of Labour is handled intelligently and tactfully. We also entertain the hope that it may not be impossible for the management to see its way to have upon its councils the representatives of Labour to co-operate with them in the solution of the many problems that must crop up in increasing numbers as time goes on.

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Many important labour matters such as the question of Employment Exchanges, the collection of unemployment statistics, the employment of women underground in mines, the deduction

and the prompt payment of wages, the question of educational facilities for railway employees are all under consideration. These are all important matters and cannot be shelved, and yet to bring in hasty pieces of legislation will do more harm than good.

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With regard to the question of the Recruitment of Seamen in Calcutta and Bombay, it has been stated that the Government appointed at Calcutta a Shipping Master in 1924, and since then the superior staff of the Calcutta Shipping Office has been strengthened by the appointment of an Assistant Shipping Master. The Shipping Master has been recruited from the Mercantile Marine, supervises personally the recruitment of seamen and has been able to formulate a scheme which has helped much to indicate the prevalent abuses. An employment register of *serangs* is also maintained. Unfortunately so far nothing has been done for the port of Bombay. We know the recruitment of labour generally, but especially of those serving far beyond their native provinces and away from India, is a matter which needs constant watchfulness. We trust therefore that this question of the recruitment of seamen at the other ports besides Calcutta will soon be placed upon a sound basis under Government supervision and control.

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The Government of India have ratified the following two Draft Conventions adopted by the International Labour Conference at its Third Session :

- (1) Draft Convention fixing the minimum age for the admission of young persons to employment as trimmers or stokers.
- (2) Draft Convention concerning the compulsory medical examination of children and young persons employed at sea.

In our next issue we shall take note of further legislation in respect to Mines.

S.K.R.

## WHAT IS INCOME?

The fight between the tax-collector and the tax-payer is perpetual and all-pervasive. The one tries to extract as much as possible out of the other; the victim, on the other hand, attempting to give up the least he can. Both operations are often perfectly legal, and however elaborate the law and however efficient the administration, inequality and injustice to both parties are the normal result. This fact is best illustrated by income tax laws and administration in all countries, India included. It may be astonishing but it is a fact, that even at the present stage of the financial and administrative development of the world, the question is asked "what is income?" and a completely satisfactory answer is not forthcoming. The history of the land tax in India is not without its interest in this connection. It is the duty of economists to probe the question to the bottom and bring their theories to bear upon the discussion of the assessment of incomes to taxation. Prof. Irving Fisher of Yale University has devoted his attention to this problem for years and deserves the gratitude of economic students for an interesting article he has recently published on "The Income Concept in the light of Experience." He complains that "our income tax laws seriously confuse capital and income and do great injustice thereby, especially in taxing capital gain and remitting for capital losses." The results of our income taxes, he feels, are so ludicrous that he wonders how they are accepted seriously and tolerated without more vigorous protest. Prof. Fisher's fundamental concept is that capital is the value of a given stock of goods and income is the value of a given flow of services, and he insists that this distinction ought to be clearly borne in mind in the application of income tax laws. The most crucial test is provided by the consideration of the question whether savings and appreciation of capital are to be counted as income or not. Prof. Fisher answers, they are not. Because they are saved from *being* income by being reinvested: "We can count savings as income if we leave out of account the reinvest-



ment, that is, split the final interaction by ignoring its negative part. If we do include the reinvestment, this, as outgo, necessarily offsets the income. We can then count both or neither, as we please."

To take a concrete illustration: Suppose that, in a given year, a man receives an income of Rs. 2 lakhs from stocks and bonds, and reinvests Rs.  $1\frac{1}{2}$  lakhs of it in real estate. What is his income? Is it Rs. 2 lakhs or Rs. 50,000? The income from stocks and bonds alone is Rs. 2 lakhs but the income from stocks, bonds *and* real estate is Rs. 50,000. The last figure represents the real, net income. If the property of the man were managed by a trustee and the amount of Rs.  $1\frac{1}{2}$  lakhs never passed through his hands and were invested by the trustee, it would have been clear that the real income was only Rs. 50,000 and that Rs.  $1\frac{1}{2}$  lakhs was an addition to his capital gain. The decisive reason, however, why the investment ought to be omitted, is that otherwise the capital worth of the man would be overestimated, that is, it would be more than the capitalized value of the income, and the principle of capitalization would be violated. If 5 per cent. is taken as the basis of capitalization, the capital value of the income of Rs. 2 lakhs is Rs. 40 lakhs, and the man's total worth in stocks, bonds and real estate is Rs. 40 lakhs at the beginning of the year and Rs.  $41\frac{1}{2}$  lakhs at the end. Now, according to the capitalization principle, the Rs. 40 lakhs at the start, Prof. Fisher goes on to point out, must be the capitalized (*i.e.*, discounted) value of all the future income including that of the first year. This principle is violated if the investment of Rs.  $1\frac{1}{2}$  lakhs is reckoned as income during the first year. For the Rs. 40 lakhs at the start is not the discounted value of the alleged income of Rs. 2 lakhs in the first year *and* the (indisputable)\* Rs. 2,07,500 a year thereafter in perpetuity. The discounted value of such a series (*i.e.*, Rs. 2,00,000, Rs. 2,07,500, Rs. 2,07,500, etc., for ever) is about Rs. 41,43,000 and not Rs. 40 lakhs. On the other hand, if we take Rs. 50,000 instead of Rs. 2 lakhs for the income of the first year, the discounted value of the series thus corrected

(i.e., the series: Rs. 50,000, Rs. 2,07,500, Rs. 2,07,500, etc., for ever) is exactly Rs. 40 lakhs as it should be. If the man is called upon to pay in the first year an income tax not only on his true, realized income of Rs. 50,000 but also on the Rs. 1½ lakhs of "saved income," he is the victim of double taxation.

To take another example: if a saving bank depositor allows his interest to accumulate in his account, it is not to be regarded as a part of his income, and it is only an addition to capital. If the interest is considered as a receipt, it must be noted that it is cancelled by a corresponding re-deposit. An income to be real, as net income, must be realized and not merely anticipated. As saving cannot be included in income, depreciation cannot obviously be excluded from it. Prof. Fisher has given a brief review of the history of income tax law and administration in the United States with special reference to the unjustified taxation of capital gains and the judicial decisions in connection therewith. And he shows that there is now a strong tendency towards the recognition of the truth of the correct theory of capital and income. During the last sixty years the law on the taxation of capital gain in the U. S. A. has passed through three stages: (1) all capital gain was regarded as taxable income whether realized or not, (2) only realized capital gain that is turned into money form was so regarded, and (3) even realized capital gain was recognized to be a very peculiar kind of 'income,' taxable in a different way from ordinary income. Thus dividend issued in the form of stock was regarded as income, but judicial decisions have now shown an appreciation of the difference between capital and income, as for instance, in the statement that "this (a stock dividend), however, is no more than a book adjustment, in essence not a dividend but rather the opposite." In the opinion of Prof. Fisher, the British income tax administration seems to come nearer the true theory of income than the American in its treatment of capital gains, but in post-war times, he says, the pressure for new sources of taxes is everywhere tempting legislators to call capital gain income in

order to get it within the tax laws—a sort of camouflaged capital levy.

V.G.K.

We have been sent a copy of the inaugural lecture delivered by Professor P. T. Thomas, Professor of Indian Economics, Madras University, Madras (reprinted from the Journal of the Madras University); and are glad to bring it to the notice of our readers. The subject of the address is, “The Present Position of Economic Studies.” The entire lecture is full of the points of view expressed and deserves the serious consideration of all students of Economics in this country. We cannot do more than to give a few extracts from the lecture and hope it will be stimulus enough for our readers to obtain a copy of it for themselves!

We find ourselves in entire agreement, for instance in what the learned Professor says with regard to the little “Indian Economics”:

It has puzzled many, including myself, why the subject of this chair is called ‘Indian economics.’ Economics claims to be a subject like mathematics or physics (although less accurate than they) with a body of laws and principles which apply more or less to all conditions and climes. Indeed the economic background of different countries varies according to the physical conditions obtaining and the social and political organization of the people, and the economics taught in different countries naturally reflects their special conditions and problems. But the subject does not go by the name of German or American economics, and I do not see why we in this country alone should put on such modesty as is implied in the title ‘Indian Economics.’ There is, perhaps, a sense—but a narrow sense—in which this term may be justified. . . . There were times when India was economically a self-sufficing and self-contained unit, but under the present conditions of world-economy, the economic problems of no country can be segregated from those of the rest of the world; most economic questions that we are discussing to-day are of the order of what Germans call *Weltwirtschaft* or world-economics.

The Professor holds that whatever Cardinal Newman might have said in respect to Economics providing a liberal culture, the fact that the study of the subject does have this effect cannot now be

denied by any honest scholar. The subject he says at the same time has become more practical, indeed it has become the *science of human well-being*. In support of the contention that it has become practical he gives many instances showing how businessmen and administrators are seeking increasingly the advice and direction of the students of Economics for their guidance. He earnestly hopes that some day soon the same may happen in India too, when students of Economics will be absorbed in business, industry and trade in the administration and social service movements in the country.

There is another phase to which we would invite special attention, for the "isolation of the Economist," as he terms it elsewhere, is a matter fraught with grave danger to the good of the community as a whole. He says:

It is not sufficient that our universities should give training for public administration; it is also necessary that the University departments of economics should co-operate with Government in its administrative and legislative activities, and this will be to the interests of both, and of the community at large. In all advanced countries, economists have done successful service to the community by carefully studying in the light of their theory, the social, industrial and financial problems agitating the public mind and by creditably serving on the commissions of enquiry appointed for the purpose of investigating them. Even in England, which has been rather slow to move in this direction, all prominent Royal Commissions of modern times have included University professors and have availed themselves of the learning and experience of academic men. The Agricultural Tribunal of England which sat four years ago was constituted mostly of economics teachers of Oxford and Cambridge.

Such co-operation he holds, and rightly holds, will be of advantage to both sides. The administrator might avoid many a pitfall and the Economist would be able to correct and amplify his theories. And the result of the teaching of such Economists would bring in added benefits. Says Professor Thomas:

The experience thus gained by the economists will be of considerable help to the university and to the country, for thereby the rising generation passing through their hands will be better fitted to grapple with the practical problems which will face them when they get out of the university, and this will enable Government to get well-balanced men for its services and its legislative bodies.

The following quotation, we feel, embodies a matter of vital significance and merits much earnest consideration, especially as the state in India is taking upon itself the responsibility of discharging many functions which are usually carried out by private enterprise in many other countries except Russia :

Indeed, till now, politicians have been controlling, and will continue to control in great degree, the legislatures and municipalities of the country, but politicians can seldom have the time nor the disposition to make impartial enquiries into economic problems. This latter function must now be performed by the economic expert who has no axe of his own to grind and who has facilities to study problems with a wide outlook. In these days, when specialized administrative and financial problems confront the country, it is essential in the interest of the community that economic specialists should contribute their share towards the solution of those difficult problems.

Professor Thomas has some suggestions to offer as to the subjects which should be allied with the study of Economics. He is also of opinion that higher studies in Economics cannot but be carried out except at University centres; indeed he feels that each of the Universities of India should begin to specialise in particular branches of the subject and thus maximise the meagre resources in men, money and opportunity that we possess in the present-day Indian environment. He urges the carrying out of Extension Lecture work and Summer School Courses as at Oxford and Cambridge and thus helping in the renaissance of the common folk of this great land. But he laments the lack of men and the lack of academic spirit. He quotes Professor Marshall when he speaks of England :

' Material wealth has ever had but slight charms for the academic mind. Our best men, both young and old, have found their joy in doing the best work of which they are capable and have cared but little whether its money gain would be great or small.' Marshall's life itself is an illustration of this. How few such men have we in India! Indeed at one time India was the land of sages who scorned wealth and even spurned thrones in order to become hermits or philosophers. We have produced many a Diogenes who would have scorned to be an Alexander the Great. Is such an outlook on life a thing of the past in India? Let us hope it is not. We are now engaged in a rejuvenation of our national culture, and this is precisely the time when we need such men. We want

men of the highest academic spirit and unquenchable thirst for knowledge, men who would, like Tennyson's Ulysses, nerve themselves up to strive, to seek, to find, and not to yield.'

We would respectfully urge the young and learned Professor not to be despondent. He in himself is setting us a good example to follow.

S.K.R.

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### PROMOTION OF CATTLE-BREEDING AND DAIRYING IN INDIA

The third number of the Journal of the Central Bureau of Animal Husbandry and Dairying in India leads off with an account of the visit of His Excellency the Viceroy to the Imperial Institute of Animal Husbandry and Dairying at Bangalore. Other eminent visitors to the Institute recently were Mr. Gandhi and Pandit Madan Mohan Malaviya, and in one of the several plates illustrating the Journal they are shown in the act of petting and admiring the wonderful cross-bred cow Jill which has given 16 calves and 140,000 lb. of milk in fifteen years and over 12,000 lb. in a lactation period of 300 days. Basing his arguments on what has already been accomplished on the Lucknow Military Dairy Farm, Mr. K. W. Forman, of the Allahabad Agricultural Institute, puts forward a strong case for grading up Indian cattle by the introduction of Holstein-Friesian blood, while the Imperial Dairy Expert, drawing on the experience of other small-holding countries, pleads for the establishment of co-operative village dairy factories all over India. Among the Indian contributors are Raja Radha Raman of Pilibhit and the late Hon'ble Lala Sukhbir Sinha of Muzaffarnagar, who exhort their brother zemindars and educated classes to take up cattle-breeding and agriculture on scientific lines as advised by His Excellency the Viceroy. A scheme of village cattle improvement prepared by the Imperial Dairy Expert at the request of

Mr. Gandhi, the essay on the improvement of cattle-breeding and dairying in India by a Parsi under-graduate from Bombay which won the Viceroy's Gold Medal in an all-India competition, and an article on insects noxious to domesticated animals are other interesting features of this number. **It can be had at the cost of As. 10 only from the Central Publication Branch, Post Box 2078, Calcutta, who also accept annual subscriptions at Rs. 2-8-0.**

This most interesting and educative Journal is edited by the Agricultural Adviser to the Government of India—in consultation with the Director of Military Farms, Army Headquarters, and four other Government officials.

## REVIEWS OF BOOKS

### RELATING TO INDIA.

EARLY EUROPEAN BANKING IN INDIA by H. Sinha. Macmillan & Co. Price 12 shillings and 6 pence net.

This is an interesting book. It is divided into two parts—Part I, Historical, and Part II, Reflections on Present Conditions. The title, therefore, of the book is not altogether an adequate guide to its contents. Part I is undoubtedly the more valuable as it is based on an examination of Government and other records in Calcutta. Copies of documents in the India Office were also used. Reference was made to the records of the Imperial Bank of India and to newspaper files of the period. In Part II Mr. Sinha attempts, in his own words, 'to deduce certain conclusions from the events recorded in the first part and apply them to the present-day problems.'

The most valuable portion of the whole book is that in Part I, where the author deals with the General Bank of India founded in Calcutta in June, 1786. The plan was agreed on at a general meeting held in Calcutta in March, 1786, and published in the Calcutta Gazette of June 8, 1786. Mr. Sinha quotes from the 23 articles which are preserved in the Imperial Records Office, Calcutta. The bank went into voluntary liquidation on March 31, 1791. A careful study of this bank's history is a valuable index to banking in Calcutta in this period. Another interesting reference is to the Bank of Calcutta, the progenitor of the Bank of Bengal. It was founded on June 2, 1806. Mr. Sinha has been unable to trace a copy of the Plan 'printed with accuracy in a neat duodecimo pamphlet from one of the original circulated copies,' advertised for sale in the Calcutta Gazette of April 10, 1806. It cannot be traced in the Imperial Records Office, Calcutta or in the records of the Imperial Bank of India. Perhaps some day it may be traced in the later and more important records of the Finance Department of the Government of India. Mr. Sinha quotes the more important clauses of the Plan from Symes Scott's History of the Bank of Bengal. The importance of Sir James Steuart, the distinguished predecessor of Adam Smith (although not once quoted in the Wealth of Nations), is referred to on eight occasions. The distinguished Scotch economist was invited by the Court of Directors of the East India Company to examine the currency of Bengal, and in 1772 wrote 'The Principles of Money applied to the Present State of the Coin of Bengal.' Here we have a scheme of paper currency mooted as early as 1772.

The insertion of copies of *modern usance* and other hundies in dealing with the earliest history of Modern European Banking seems a little out of place. The



plain fact is that the exact nature of early indigenous banking cannot be traced so far as record goes. It is the same with the history of monetary policy, for example, in Greek times. Knapp regards surviving coins as 'the dead body' of the money, the soul of which is 'not in the material of the pieces, but in the legal ordinances which regulate their use.' In the case of early indigenous banking we have neither the body nor the soul. In Part II the author deals with the present-day position described by the reviewer and others. He appreciates the importance of working the indigenous system of banking into the Indian Banking System. Like Mr. Gubbay, General Manager of the P. and O. Banking Corporation, he perhaps does not succeed in showing that the difficulty of establishing that touch between the joint-stock banks and the Indian traders, which is necessary if the business of the latter is to be brought within the general banking machinery of the country, working under the control of a Central Bank, is not so surmountable as it appears. When once there is a clearer understanding than at present that certain business is welcomed by the joint-stock banker and can be carried through on cheaper terms, the Indian trader, and that portion of the banking machinery now mainly outside the country's banking system, will not be slow in complying with the requirements of the joint-stock banks. Undoubted progress in this direction has been made in recent years. In the Shroff, India has a most valuable nucleus for establishing a real money market in India. The influence of the Central Bank in its rediscounting operations will be felt in the bazaars, for it will be to the advantage of the Shroff and small indigenous banker to borrow on the security of good hundis at the more favourable rates of the joint-stock banks than to pay high rates for deposits in the bazaar. But we need not go into this further here. Mr. Sinha says with much truth that 'Indigenous banking with all its evils has a place in the national economy of India. It is no part of statesmanship to do away with the system in order to do away with evils which are not inherent in the system. But this must not diminish our ardour for banking reform. . . The question is simply one of better methods and better organisation.' With the exception of education and perhaps better communication no question is of quite such importance at the present moment as the introduction of a sound system of Banking. The solution of that question has been far too long delayed.

G. FINDLAY SHIRRAS.

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INDIAN ACCOUNTS AND INCOME TAX by Dalip Singh, M.A. Pp. 373. Rs. 6.

The book has been written 'to help the tax-payer and tax-gatherer to under which comprise two-thirds of the book, deal with the indigenous system of well qualified to achieve this pre-eminently desirable result. The first ten chapters stand each other.' The author is an officer of the Income-Tax Department, and commercial accounts. The author has taken pains to master its intricacies, and

explained them at length. His treatment of the subject should be of great practical value to the officers of the department, accountants and others, who have to use these accounts in the discharge of their normal duties, but do not get any opportunity of acquiring an intimate acquaintance with the working of the system.

In Part Two the Income Tax Act of 1922 has been explained. The author has made a number of useful suggestions, and laid special stress upon the necessity of utilizing the services of certified accountants for compiling the accounts for Income-Tax purposes. In big commercial centres no difficulty need be experienced in acting on this advice, but for a large number of assesseses it is more or less a counsel of perfection. The general impression that the promotion of the officers of the Income-Tax Department depends on their increasing the yield of the tax by over-assessment is described as 'a vulgar error.' It probably is that, but this does not mean that the distrust of the officers is entirely undeserved. There is nothing of theoretical interest in the book, but even the academic students will appreciate some of the fundamental issues of the Income-Tax more vividly by studying it in its practical setting.

There are, it must be regretfully noted, a number of passages in the book which are taken from the writings of other authors without acknowledgment. The readers of the Journal will be easily able to identify three of them by comparing some lines on pages 227, 232 and 237 of the book with the corresponding passages on pages 427, 436 and 437 of the Serial No. 19 of the Journal. It is not necessary to say more about this point.

GYAN CHAND.

STUDIES IN INDIAN RURAL ECONOMICS by S. Kesava Iyengar. P. S. King & Son, Ltd. 1927. Pages 164+34+vi. Price 15 shillings or Rupees eight only.

This book contains twelve chapters which deal with nearly all the important problems relating to Indian Rural Economics, such as agricultural holdings, organisation of capital, condition of agricultural labourers, agricultural education, future policy for agriculture, rural reconstruction, etc.

The first two chapters are devoted to the problem of economic survey in rural areas. The author himself very successfully conducted an intensive survey of nine villages and an extensive survey of three districts in Mysore State and he found that the opinion held by some investigators "that people are suspicious about any inquiry and their illiteracy does not allow them to appreciate the importance of such investigations and to co-operate in making them accurate and successful" was wholly incorrect. His experience on the other hand, is that if an approach is made properly, no obstacle is placed in the way of figures with regard to family budgets, etc., by the average householder in India.

Professor Iyengar strongly favours non-official agency, preferably that of an economic expert with suitable staff, to carry on investigations in rural areas. He thinks that the official investigator is generally biased and his survey has to be

"not a picture of truth as such, but truth so far as it is safe for the investigator to let it out. No revenue officer would nor could risk his future by saying truths unpleasant to Government, and even the most democratic Government does not want all truths to be said in matters economic." According to his experience about 30 weeks and Rupees 15,000 should ordinarily be sufficient for the purposes of an intelligent survey of a region. The expenditure seems to be very moderate and Provincial Governments in British India should immediately take in hand the work of rural survey of at least three districts in each province.

According to the author, the most urgent reform needed lies in providing better and more humane conditions of work and remuneration to agricultural workers; and in effectively providing for the removal of monopoly, oppression, sweating and usury which are rampant in rural areas everywhere.

Professor Iyengar, by his careful investigations and researches, has gained a true insight into the economic condition of the people in rural areas and he holds that a process of progressive deterioration has set in. The net receipts of the occupants of medium-sized and small holdings are less than the minimum subsistence level, irrespective of rises in prices or larger yields. He very carefully studied the expenditure budgets of 387 families (1,921 persons) in five villages of the Mysore Malnad and found the annual expenditure per head of population on all the items to be Rs. 68-11-8 only, while the Central Jail of Bangalore spent Rs. 131-4-4 per head of convict, and he rightly concludes that on nutritious food and congenial clothing much more is being spent on the jail population per head than in rural areas. He found the rural population trying to stifle their appetite rather than to meet it properly.

The condition of untouchables was found to be very miserable. They lived on the flesh of dead domestic animals and on field rats where available. For about three months in the year they lived largely on jack-fruit only. They never purchased any clothes but depended entirely on presentation of old clothes by the better-to-do. Intemperance was prevalent in the extreme. This was the main cause for their prodigal imprudence and notorious unreliability. Within a decade or two they had all become landless labourers. In the opinion of the author, the two measures that ought to prove beneficial, judged from actualities appear to be the organisation of Co-operative Producers' Societies and the passing of the Minimum Wage Act (to be administered by the local bodies) specially for the benefit of agricultural labourers. We strongly support these measures. Professor Iyengar's well-thought-out schemes of Education, Land Mortgage Banks, and Village Panchayats also deserve serious consideration. \*

We congratulate Professor Iyengar on writing this excellent book on the much-neglected subject of Indian Rural Economics and strongly recommend it to all students of Indian Economics for careful study.

DATA SHANKAR DUBEY.

COMMERCIAL RELATIONS BETWEEN INDIA AND ENGLAND (1600—1757) by Balkrishna.  
George Routledge & Sons, Ltd. Pp. 370.

This work contains ten chapters which are followed by a number of appendices to each chapter. Chapter I describes the commercial, industrial and economic conditions of India at the opening of the 17th century. India occupied a unique position then. It was "the respiratory organ for the circulation and distribution of the moneys and commodities of the commercial system of the world; it was the sea wherein all the rivers of trade and industry flowed, and thus profusely enriched its inhabitants" (p. 37). Numerous arts and handicrafts flourished within its boundaries, and its spinning, weaving and dyeing industries were particularly famous. The various articles of necessity and comfort were quite cheap and the people enjoyed a comfortable living. The lower strata of society—the cultivators, labourers and mechanics, however, dragged on a miserable existence and in times of dearth sold themselves and their children into slavery which was a feature of the economic life of the country. Liberty of conscience and protection of life and property were assured to all. Customs duties were low. The sea-borne trade of the country was generally controlled by the Portuguese who would not allow any nationals other than their own to partake of it except under permit. But when the permit was granted, those holding it could ply the seas as unobstained as the Portuguese themselves.

This on the whole pleasing picture of the economic situation in India at the beginning of the period covered by the book gives place to a depressing view when we come to the end of the period. The depressing view is mirrored in Chapter X which deals with the import duties that were levied in England on East Indian goods from time to time and their effects on the industries of India and England both. These duties which reached their climax in the Prohibition Acts of 1700 and 1720 dealt a severe blow to the Indian textile industries and correspondingly encouraged the cotton, silk and dyeing industries of England, where, by the end of the period "before any machinery had been invented to revolutionize the manufacture of piece-goods, not only was the home demand fully satisfied by the English manufacturers, but large quantities were being exported to the continental and American markets" (p. 273).

The causes of the decline of Indian industries were more than one. There were external causes as well as internal. But the author in the book under review concentrates attention only on one of them—the import duties on Indian goods in England—and promises a detailed analysis of them all in a separate volume. We would await the light he throws on this very controversial question other than that which has already been shed by recent writers like Mr. C. J. Hamilton, Dr. J. C. Sinha, Mr. Gadgil and Dr. Pillai.

Chapter IX describes the history of the East India Company's shipping and gives the rates of freights charged for the various parts of Asia.

The remaining seven chapters are taken up with the Indo-British commercial relations during the period 1600 to 1757. For purposes of treatment this period

of about a century and a half is subdivided into three periods, namely, 1600 to 1658, 1658 to 1707, and 1707 to 1757. The first fifty-seven years constitute the infancy stage of the relationship, and the second and third sub-divisions witnessed the growth of the infant into sturdy manhood. At several points in the narrative the relative position of the rivals of the English in the commercial field in the East is glanced at. The chief rivals were the Portuguese, the Dutch and the French. But the former dropped out by 1658, and the last by about 1760. So, by the end of the whole period, the Dutch remained the only rivals of the English though their concern with India proper was fast dwindling. The English, thus, came to have the monopoly of the sea-borne trade of India. Not even Indians had any share in it. They had to limit themselves to the internal trade of their country.

The main articles of export from and import into Indies at the beginning of the 17th century were : *exports*—calicoes, indigo, saltpetre, pepper, sugar, drugs and provisions; and *imports*—woollens, metals, coral, gold and silver, and curiosities. The latter remained practically unchanged throughout the period covered by the book; some changes took place in the former, however. Indigo and sugar, for example, assumed less and less importance as the period advanced; and, silk, tea and coffee entered the field in the second sub-division of the period and progressed by leaps and bounds in the third—especially tea and coffee: the heyday of silks was the years 1658 to 1700. As to the volume of the foreign trade, both the exports and the imports made romantic strides. The figures for exports are not as well given as those for imports, because the former were, at various points, not available. Yet what has been made available and what we can judge of from the imports, makes it abundantly clear that the volume of exports achieved wonderful progress. The rise of import may be gathered from the fact that during the years 1600 to 1658, the imports averaged annually not more than £100,000, but in the period 1658 to 1707 they mounted up to more than £500,000—annual average (p. 125), and during the last fifty years of the period, to £35,146,741 (p. 212) which gives an annual average of about £708,000. The share of India in the total trade was more than 80 per cent.

Thus, although the period covered by the book witnessed remarkable progress in the foreign trade of India, yet a great blow had been struck to her industries, and her own nationals had ceased to be the carriers of her foreign trade.

The work embodies monumental research. Dr. Balkrishna has assiduously worked at the published and manuscript records at the India Office, the British Museum, the Public Record Office, and the Board of Customs Library in preparing this volume which is a remarkable production. It, for the first time, gives a connected and comprehensive account of the Indo-British trade relations from the inception of the East India Company to the time when the Company became practically a political power in India. The author deserves warm congratulations on this highly original piece of research work.

G. D. K.

INDIAN AGRICULTURE (India of To-day Series, Volume VIII) by A. Howard and G. L. C. Howard. Humphrey Milford, Oxford University Press, London. 1927. Pages 98. Price Rs. 2-8.

The authors of this book are experts in Indian Agriculture and have done very useful work in their own line. They have succeeded fairly well in presenting the true position of agriculture in India from their own point of view. The book is divided into seven chapters which deal with the factors underlying agricultural production, organisation of agricultural research and its results, rural education, consolidation of holdings, soil erosion, communications, etc. The book gives in a very few pages a brief account of the work that has so far been done by various departments of agriculture in India. But the weakness of their work has also been frankly recognised. The authors remark that "viewed from the standpoint of rural uplift, the great weakness of the work in the districts is that it has never covered the whole subject. Although much valuable work has been done particularly in seed distribution, finance has been omitted altogether, and the human factor has been dealt with to a very small extent. Much more attention should have been paid from the very beginning to the village as a whole, to its people, to their ideas and to their general condition and outlook." They rightly believe that rural uplift will have to be taken up as a whole and not piece-meal. With this object in view to co-ordinate the activities of various departments they strongly recommend the creation of a Development Board of Rural Reconstruction on which the Legislature, the Executive, the local notables and the most able of the workers could be represented. We heartily welcome this scheme and hope that each Province would soon take this important matter in hand.

The problem of Land Tenure on the right solution of which depends the true welfare of a large number of cultivators in rural areas has been scrupulously avoided. The authors have also not shown why the present system of Demonstration Farms has not been very successful in diffusing the knowledge of improved methods of cultivation amongst the masses and why a large number of holdings in villages have become uneconomic. Agricultural education in village middle schools has also not been sufficiently emphasised.

In spite of these omissions, the book is an excellent one and deserves wide circulation. The bibliography given at the end of each chapter will prove very useful.

DAYA SHANKAR DUBEY.

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THE POPULATION OF INDIA by Brij Narain. Published 1925 Pp. 215. Price Rs. 4.

The book is based on Census Reports and a few other private enquiries on the problem of population and allied subjects, relating both to India and other civilised parts of the world. Its chief merit lies in giving us in a few pages all the important materials with regard to India's population and putting it down in a way that would interest the general reader. But the writer does very little

besides this. Generalisations and conclusions are avoided in most cases, as the subject is too complicated to allow inferences to be made with impunity.

There are many interesting details to be found in the book from the beginning to the end. The population of India, in spite of its very high birth-rate, increases at a rate that is lower than that of any other country, except France. The solution is found in the appallingly high death-rate. What a great economic loss to the country!

Distribution of population by age shows that India has the largest number of persons under 10 years and the smallest above 50 years of age. As persons below 10 are heavy consumers of goods and services,\*the effect of such a distribution on the economy of India is evident. But what do other figures show? The number of people between 20 and 50 years—people of productive age—are not considerably less than the number of people in other countries, but the number at one extreme being very high and at the other very low, causes great economic loss to the country. Evidently, the duration of life in India is very different from that in other countries. The expectation of life at birth is a little over 22½ years; the corresponding figure for other countries of Europe never goes below 40 years. Infant mortality being high the expectation of life at 10 years of age has increased by 50 per cent. in India, as against 24 per cent. in other countries. Not only this; the expectation of life begins to decrease in India.

Unlike European countries, the female population is less than the male population in India. Between 10 and 20 years the percentage of women falls probably because of the occurrence of child-bearing in this period. But between 20 and 30 years the ratio rises; there are more women than men. This can probably be accounted for by the fact that during this age the male population is more heavily burdened with work than the constitution can bear. But between 30 and 60 years the percentage of women falls again. This is strange. But the author explains it thus: "In India among the lower classes, women generally lead a harder life than men . . . . The purdah among the Musalmans and the Hindus of higher castes in some provinces must adversely affect the health of women, particularly of those residing in towns."

Statistics relating to marriage are very interesting. They can be manipulated in various ways, but the absence of certain necessary data in India make all inferences from available statistics very doubtful.

Custom disallows the marriage of widows, and what is the result? The birth-rate is evidently curtailed, because so many widows remain unmarried. But this forces the widowers to marry younger women.

In the rest of the book the author is not quite so sparing in the use of statistics. His chapters on Density of Population, Occupation of the People, Organised Industries and Socialism, the Malthusian Doctrine and Over-population, and National Income are useful and interesting reading. They deserve praise and are hardly open to any sort of attack. People interested in the problem of population should go through the book themselves.

J. K. MEHTA.

SULTAN MAHMUD OF GHAZNI by Muhammad Habib, B.A. (Oxon.), M.L.C., Professor of History and Politics, Muslim University, Aligarh. D. B. Taraporevala & Co. Rs. 2-8.

The author of this little book has dealt with his delicate subject with an admirable freedom from bias. He presents a concise but vivid picture of the state of society in which Mahmud's career was set; he treats at length of the moral and psychological forces at work in his time and gives a striking explanation of the complex personality of his hero.

Mahmud was the first of the Muslim Emperors (Sultans) and the founder of 'monarchy' in Islam. In this he was the embodiment of the spirit of the Persian Renaissance which powerfully influenced the Muslim World in the eleventh and twelfth centuries. It weakened the influence of Islam and fired its votaries with the ambition of emulating the great Persian hero—Jamshed and Kai Khusrau—"superbly unconscious of all moral aims."

Religion had little share in shaping Mahmud's career. The author rejects the many legends in which he figures as the champion of the faith, as an idol-breaker in preference to an idol-seller, and holds that his leading passion was ambition for wealth and power. Far from working for the propagation of Islam he did a dis-service by producing in India a disgust for his faith. "The plundered people were not likely to think well of Islam when it came to them in the shape of the Ghaznavid conqueror and left behind it an ever-lasting story of plundered temples, desolated cities and trampled crops."

Though not above persecuting the 'heterodox' after the fashion of the day, Mahmud was no bigot but a rationalist in thought and sympathy. He employed Indians in his army and gave them liberty to worship their idols and blow their 'sankh.' His ostentatious obedience to the Caliph was dictated by policy, not by religious sentiment.

A masterly sketch of Mahmud's character is presented in one chapter where his failure as an administrator, his brilliance as a general and the superiority of his armies to the contemporary armies of India receive adequate treatment.

P.

THE SEX PROBLEM IN INDIA by N. S. Phadke. D. B. Taraporevala & Co., Bombay. 1927. Pp. 348. Price Rs. 6.

In this book the author pleads for a eugenic programme for India. Eugenic improvement embodies three fundamentals—the improvement of the future generation, the efficient maintenance of the present generation, and the elimination of the unfit. The first can be achieved by late, love marriages, birth control, and eugenic education; the second, by all those factors that go to keep the present generation fit and healthy—factors such as proper food, healthy sports, improvement of family life, etc.; and, the last, by preventing the unfit from marry-



ing and producing children and by removing vice and disease. All these methods of improving the present and future generations of India should be adopted if India is to take her proper stand in the rank of nations. The author points out the lamentable state of affairs in India by reminding us of the heavy rate of child mortality and degeneration of our people as shown by the heavy death rate in our country and the low expectation of life as compared with some of the European countries. He also tells us of the heavy toll death takes of our womanhood at a young age.

Then he points out the way of reform, which lies in doing away with early marriages, the dowry system, belief in astrology and by enforcing love and late marriages. He explains that child marriages are not enjoined by the Shastres, Shrutis or Smritis. The best age for the marriage of girls is 16 for India. He is also for giving an equal status to women with men and for letting boys and girls mix together freely. He would have a revival of rural life, would suppress vice and disease arising through prostitution and drink. He would not resort to legal measures for preventing the unfit from marrying or producing children, but would educate the unfit about the enormity of bringing into the world unfit progeny with a view to their voluntarily abstaining from marrying or perpetuating their race. As to the fit, even in their case, and very rightly too, he would apply the golden axe—that is, keep their progeny within limits alike by late marriages and artificial birth control, for continence is not practicable. He explains the need, the morality, and the methods of birth control and the advisability of explaining to the young the principles of physiology.

The eugenic programme for which the author pleads deserves the serious attention of all the well-wishers of India. There is absolutely no doubt the India stands in need of a thorough eugenic movement. Some of our customs, like early marriage, keeping the women in a servile state, and other things pointed out by the author, should go, and that, the sooner the better, so that our country might rise to its full stature.

X. Y. Z.

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## REVIEWS OF BOOKS

### ENGLISH AND FOREIGN

**OFFICIAL PAPERS** by Alfred Marshall. Published for the Royal Economic Society by Macmillan & Co. Price 10s. 6d. net.

This volume comprises the written Memoranda and Oral Evidence prepared by the late Professor Marshall for Government Departments and official enquiries. It covers a wide field and embraces subjects of far-reaching importance.

Marshall's own writings depict him as a hard thinker, an acute reasoner, and a keen observer. We find here a progressive economist whose liberalism is modified by a large admixture of caution and circumspection. A constant anxiety is observable on the part of the great economist to hold the balance between the opposing principles of conservation and reform. His remarks on the scope of local government furnish the key to his attitude towards economic problems in general. He says, "Our duty at present is to experiment freely, but to move cautiously; to abstain equally from formal recognition of existing customs which might tend to stereotype them, and from any organic alteration which might claim to govern future development. We should aim rather at handing down to the coming generation some serviceable experience, together with freedom in dealing with problems which have just risen above the horizon, and others that have not yet risen."

Another important characteristic of Alfred Marshall is that he is always an enquirer and learner rather than a dogmatist. He provokes thought in others without a conscious effort to teach.

These pages are marked by the same accuracy of thought and preciseness of expression as characterise almost all his writings. Several examples are met with here of Marshall's habit of insisting on the strict use of economic terms. On one occasion, he refuses to draw a distinction between an appreciation of gold and a fall of general prices. On another occasion, he condemns the use of the word 'bimetallism' in the sense of a 'fixed-ratio-mintage.'

A few extracts from this volume will give the reader an idea of the trend of Marshall's economic thought. On the effects of a fall in prices he observes: "I think that the general interests of the country are best promoted by stationary prices; but the benefits resulting from a rise in prices and the evils resulting from a fall of prices are commonly over-rated; and in fact I think it is not clearly established that a rise of prices is on the whole to be preferred to a fall." On the relation of prices to the quantity of metal, he remarks, "While accepting the doctrine that '*other things being equal*, prices rise or fall proportionately to

every increase or diminution in the metal or metals which are used as the standard of value,' I consider that the conditioning clause, 'other things being equal,' is of overwhelming importance and requires careful attention."

Marshall refuses to accept the fixed-ratio-mintage as a solution of the monetary difficulty, but regards true bimetallism "as the best basis of an international currency." His theory of true bimetallism is based on Ricardo's "Proposals for an Economical and Secure Currency." It may be remarked in this connection that the 'Gold Bullion Standard' recently adopted in India is also said to be based on Ricardo's proposals.

On the question of the autonomy of local governments, Marshall observes: "All power of variation, that is consistent with order and economy of administration, is an almost unmixed good." His opinion on the limitations of poor-relief is tersely expressed thus: "The doctrine that it is unjust to levy taxes for the relief of poverty that falls short of indigence is not valid unconditionally." His view of fiscal policy is quite rational. Marshall points out that the older economists "misjudged the needs and the potentialities of backward countries, and specially of new countries." He describes his experience of the visit he paid to the United States in 1875 in these words: "I came back convinced that a protective policy, in fact, was a very different thing from a protective policy as painted by sanguine economists, such as Carey and his followers, who assumed that all other people would be as upright as they knew themselves to be and as clear-sighted as they believed themselves to be. I found that however simple the plan on which a protective policy started, it was drawn on irresistibly to become intricate, and to lend its chief aid to those industries which were already strong enough to do without it. In becoming intricate, it became corrupt, and tended to corrupt politics." This is an excellent description of the tariff position in the New World, and a clear warning to all countries seeking to adopt a policy of indiscriminate protection.

Marshall's manner of expressing his opinion on the subject of death duties suggests that he is struggling hard to extricate himself from the bondage of old prejudices. He says, "The old objection to taxes on inheritance that they are paid out of capital, and that the heir is apt to live up to the full income which he has inherited, seems to me to have great force still. No doubt this question, as well as the allied question whether much war expenditure may safely be defrayed by loans, has changed its position during the century with the growth of wealth and the development of international markets for capital. But the very fact that death duties seem less inequitable, and to press less hardly on any one, than other taxes of equal intensity, suggests that they may still affect savings much as our forefathers thought they did. On the whole I think no one generation should very much increase them; experience alone can show whether we have outgrown the stage in which the incidence of such taxes lies heavily on the springs of prosperity."

The volume before us contains many of Marshall's observations on Indian economic problems. Some of these are quite sound. For instance, in answer to

one of the questions circulated by the Royal Commission on the Depression of Trade and Industry, he says, "I think that the disturbance of Indian finances is made to appear much greater than it is by the unnecessary and, if I may venture to say so, perhaps not quite generous, practice of keeping the accounts in pounds sterling instead of in rupees. If they were kept in rupees, it would be at once obvious that the change in the gold price of silver affects the Indian Government only in so far as it is under obligations, direct or indirect, to pay away specified sums of gold." Again, when giving evidence before the Committee on Indian Currency, he remarks, "There is no doubt that custom does rule the general tenor of life in India, but it does not, in my opinion, rule prices." On the question of hoarding, he propounds a law, namely, "that the demand for a metal for the purposes of hoarding is increased by a continued rise in its value and diminished by a continued fall. Thus the law of a demand for the purpose of hoarding is the opposite of the law of demand for a commodity for the purpose of using it." He proceeds to observe: "In consequence of this law the increase in the supply of silver has probably contributed directly to the rise in the purchasing power of gold, by causing people in India and elsewhere to hoard gold instead of silver." No exception can be taken to the exposition so far. But he complicates the question by adding an explanatory clause, namely, "Under the head of hoarding I reckon the buying of simple gold and silver ornaments, the value of which consists almost solely of the metal contained in them." As a matter of fact, gold and silver ornaments are made partly for use and partly for the purpose of hoarding. The law mentioned above is thus hardly applicable in this case. The true solution is to be found in the balancing of forces working in opposite directions.

It is a pity, however, that the depth of knowledge and the breadth of outlook which are such prominent features of Marshall's writings in general, are sometimes absent from his treatment of Indian questions. In the course of his evidence before the Committee on Indian Currency he remarks, "India complains that she sends us a tribute of goods for which we have given no return. We have given a return for many of them in the shape of men in the prime of life, who, on the whole, I think, are very cheap for the purpose." This, as everybody knows, is only one side of the picture. On the question of foreign capital, he observes, "I hold in the most clear, and if I may say so, confident manner, the opinion that there never was a country which needed foreign capital more than India does." One would expect a more balanced judgment from an economist of Alfred Marshall's reputation and standing. On the object of Indian expenditure he says, "I think I ought to bear my share as one of my generation, in insisting that, on the whole, taking one thing with another, the Civil Government of India is not an expensive government. Were it an expensive government, I think our presence in India would not be justified." These lines betray the mentality of the average Britisher, and are hardly worthy of a person who is entitled to the homage of all economic thinkers without distinction of race or clime. It must, however, be said to the credit of the great economist that on several occasions we

find him making the candid admission that his knowledge of Indian questions was imperfect and gathered second-hand.

Alfred Marshall's writings are of absorbing interest to every student of economic science. The Royal Economic Society and its worthy secretary, Mr. J. M. Keynes, have rendered a real service to all interested in economic problems by bringing together these scattered fragments and publishing them in a handy form.

PRAMATHANATH BANERJEA.

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A STUDY IN SOCIAL ECONOMICS : THE HUNTER RIVER VALLEY by F. R. E. Mauldon.  
Robertson & Mullens. 12s. 6d. net.

It is an healthy tendency of the times that students of economics in the various parts of the world are devoting more and more attention to intensive studies of economic conditions prevailing in particular areas. Economics can no longer be called merely an abstract science. It is everyday becoming more and more realistic.

The study by Mr. Mauldon is of one of the most important industrial districts of Australia in New South Wales. It is a fairly comprehensive study though the author modestly calls it "no more than an outline introduction." It is also careful and thorough. It directs the attention of the reader to the important facts about the topography, geology and geography of the region. It gives an accurate description of the natural resources and economic possibilities of the area. It gives a graphic account of the life led by the people and the occupations followed by them. It describes the condition of the various industries that are being run at present in the valley. It deals with the different economic problems of the region and enquires into practical difficulties, complaints and suggestions in that connection.

Two important features of the study are :—(1) the emphasis on geographical factors and their influence on the economic life of the region; and (2) the attempt to deal with specific problems of economic life in a practical spirit. The author has not indulged in any dreams of the future but has contented himself with facts and problems of the day. His study ought to prove useful to the people for whom it is primarily intended. To us in India its main utility lies in serving as an example for making similar studies in this country.

GURMUKH N. SINGH.

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THE INDUSTRY AND TRADE OF JAPAN by S. Ueyehara. P. S.<sup>9</sup> King & Son, Ltd.  
1926. Pp. 326. Price 15s. net.

This thesis surveys the industrial and commercial development of Japan during the past fifty years or so. During this short period the industrial and commercial progress that Japan has achieved has been marvellous. Before the 'sixties of the last century that country had little significance from the economic point of view for the outside world. She was a mediæval country pure and simple with all sorts

of restrictions placed upon her industry and trade. Feudalism was the order of the day. The purchase and sale of land were prohibited or restricted. The cultivators were downtrodden. Manufactures were the monopoly of the guilds or 'ZA,' and entrance into them was restricted by the feudal lords. Communications were lacking and intercourse with the outside world was forbidden by the closed-door policy towards the foreigner which was strictly enforced.

In 1868, however, took place an event which sounded the death-knell of mediævalism in Japan. In that year, the Shogunate came to an end and the Emperor was restored unto his own. With this the modern era dawned upon Japan. All the old hampering restrictions were done away with. Feudalism disappeared, freedom of occupation came in, the right to dispose of one's property was recognized, the doors of the country were thrown open to outsiders, and the country entered upon a period of industrial and commercial progress which has astonished the world. To get a complete idea of this progress one should go through the pages of Mr. Uyehara's book wherein there is no dearth of statistics which bring out the progress very clearly. Here it might simply be mentioned that the progress implies the installation of the factory system with modern mechanical equipment in place of the handicraft system which existed in Japan formerly. As a consequence the foreign trade of the country has increased by leaps and bounds. In 1898, the total value of Japan's exports and imports was yen 15,553,000 and yen 10,693,000 respectively, whereas in 1924 it was yen 1,807,233,000 and 2,453,390,000 (p. 50) respectively—which is a wonderful increase indeed.

Various have been the factors that have led to the remarkable development of the industry and trade of Japan. They may be noted as below. The first place must be given to the activity of the Government. The Government took the lead in the industrial development of the country by starting industries on modern lines (1870—1883) in order to show the people the way of doing it, and then, when the people had become acquainted with modern industrial methods, made over the industries to them. Then, the Government resorted to a system of protective tariffs and subsidies to encourage the industries to grow rapidly. Next, must come the Japanese-Chinese War of 1894-95, the Russo-Japanese War of 1904 and the Great War of 1914-18. All these wars made some contribution towards encouraging the growth of industries in Japan, but the contribution of the last War was the greatest. This gave Japan a "golden opportunity" to equip factories thoroughly with modern machinery and to establish industrial methods in accordance with up-to-date requirements" (p. 18). Japan readily grasped the opportunity with the result that she rapidly became "one of the leading countries for supplying goods to all parts of the world while the countries in Europe were engaged in the struggle" (p. 18). Lastly, and, above all, Japan had an abundant supply of cheap labour which worked long hours for low wages.

But although Japan has attained great advancement in the industrial and commercial fields, it must not be understood that the picture, however bright it be, is without a dark side. Japan lacks raw material and fuel and her advantageous

position as to labour is disappearing owing to the rise in the cost of living consequent upon the rise of prices and wages. Then, she has got to face the competition of the American and European nations—which has been renewed—as well as of the Indian and Chinese goods.

The author makes a suggestion which in his opinion will be very helpful to Japan under the changed circumstances. It is the giving up of protection and resorting to free trade.

The book is very illuminating. It is a very able and successful study of the development of Japan industrially and commercially during recent years.

G. D. KARWAL.

PRINCIPLES OF INVESTMENT by John Emmett Kirshman, Ph.D., Professor of Finance, College of Business Administration, University of Nebraska. A. W. Shaw and Company, Chicago and New York. Pages 902.

This book is a scientific exposition of the basic principles of investment both from the theoretical and practical points of view. He has analysed the principal characteristics of the different classes of Securities and has given a clue to the investors, investment banks, and others in deciding how and where to invest. The author has divided the book into five parts.

In the first part, the author discusses the two motives for investment, *viz.*, the preservation of what has been saved and income or profit. Of the methods of securing an income from investment, one is a straight return and the other appreciation and accretion. The author clearly shows the difference between the last two. Though, both mean increase in the price of an issue, yet the former results from causes inherent in the security itself while the latter from external circumstances. In times of panic the prices of even the best bonds fall but rise again when the panic has subsided. Those who bought at low prices are recipients of substantial amounts of income through the process of accretion.

The author gives the opinions of different writers such as Emery, Meeker, Pratt, etc., on investment, speculation and gambling. Some are of opinion that the difference lies in the method of securing an income from capital commitments, while others think that the difference lies not only in the method of securing an income but also in the amount of risk assumed; while still others distinguish between natural and artificial risks. The author, though recognising that income and safety are essential in investment, and risk and profit in speculation, is yet of opinion that, in distinguishing the two, greater emphasis should be laid on the subjective aspect of the method of securing an income and the risk assumed.

In the second part, on the "Elements of Investment Credit," the author quotes Lawrence Chamberlain in support of his statement that the safety of the principal should be the first consideration while the rate of return of secondary importance, although it is human and even wise, to demand the highest return obtainable without sacrificing safety. Investment risk which is next discussed is

divided into three distinct parts, the credit risk, the market risk, and the unpredictable risk. The author is of opinion that the credit risk is perhaps the most important of the three and is usually judged by the reputation of the issuing body. The credit risk is again constituted of two parts, viz., business risk and financial risk. The business risk has to do with the business as a unit regardless of the amount or kinds of securities outstanding. The likelihood of the permanence of the assets and the sufficiency of stability of the income make up the business risk. The financial risk refers to the relative position of the individual security with reference to the capitalisation of the concern. The market risk has nothing to do with the internal soundness or the condition of the maker of a security, but has its origin in the general investment market. The condition of the investment market often influences the prices of securities as greatly as credit standing itself. In all price movements, the investor must distinguish carefully between those resulting from internal changes and those resulting from external changes. The market risk affects stocks and bonds alike, although showing itself more clearly in the case of safe bonds because their yield represents a riskless return. The market risk is that which gives a clue when to buy and when to sell. Those desiring to assume both market and credit risks will find their opportunity in the purchase of reasonably well-secured stocks and bonds, not necessarily the safest nor the most speculative, purchased during the early stages of business depression when prices are low and money plentiful. As the recovery in business sets in and earnings increase, prices begin to move strongly upward. Credit risk and market risk are both subject to approximate determination by statistical and economic analyses, whereas unpredictable risk is composed of more or less diverse elements and is seldom subject even to intelligent guess. The author has further analysed various kinds of securities and has discussed the necessary margin of safety of different kinds of securities.

In the third part, on the "Field of Investment" the author has discussed in detail the securities of the different groups of institutions. Those are United State Government Bonds, American State Bonds, Municipal Securities, Rail Road Securities, Public Utility Securities, Industrial Securities, Real State Securities and Foreign Investments. He has given a general though very brief account of the securities of each group, both from the historical point of view as well as on the basis of the four elements of investments, and also the relative position of each in the investment market. Of all the institutions the structure of industrial finance is comparatively simple. Bonds and note issues of any one company are usually few in number and can be counted on the fingers of one hand while railroads carry fifty to sixty issues. Twenty-five years ago industrial financing was confined almost entirely to common stocks but with the great trust consolidation period around 1900 came numerous bond issues. He argues that the industrial bonds should be of comparatively short maturity and is of opinion that these are greatly strengthened by the inclusion of a sinking fund provision.

He further states that on account of their fluctuating character the net income of industrial corporations over a period of at least five years preceding the issues,



should average at least five times the interest and sinking fund requirements on the mortgage issue if the bond is to command the respect of the conservative investor. In a sense, says the author, it is immaterial what the face value is, but the stock of low par value has the advantage of commanding a broader market and hence a relatively higher price than the stock of higher par value with a restricted market. Industrial Securities are moreover likely to show market weakness in one or other of the elements of credit and for this reason it is seldom that industrial bonds and stocks can be rated as highly as public utility and railroad issues. Though, it is true, that at the present time real estate, farm mortgage and mortgage bonds are amongst the most popular issues and are regarded to be amongst the safest of all investments as shown by the record of the last thirty years.

In the fourth part on the "Movements of Security Prices," the difference between normal value and market value is shown, the former being the permanent value and the latter a temporary one. The author has analysed the securities into three great classes with reference to their economic characteristics. First come the gilt-edged securities which are immune from the credit risk. They are, nevertheless, greatly affected by factors wholly unconnected with the credit risk and in general may be said to move in response to general economic changes in industry, habit, thrift, wars, and a multitude of other factors. Next come the common stocks bought by investors and speculators for large return. Their status is seldom certain for any length of time, but changes continually with the fortunes of the company issuing them. Their prices depend, therefore, not so much upon general economic conditions as upon the fortunes of the company. The risk is not primarily the market risk but the risk of the change in intrinsic worth of the securities themselves. The price movements of this class of securities show broader fluctuations than any other class. Intermediate between these are those which bear a moderate amount of risk such as preferred stocks and debenture bonds. These are generally referred to as the business man's investments. They carry a return larger than safe bonds but not so large as common stocks. The movements in the prices of these securities are subject both to market influences and changes in intrinsic worth.

Next, the author discusses the salient points of Daw's Theory for the study of movements in security prices. He characterises the theory as limited in scope, since it attempts only to present the movements of stocks and neglects long time movements. It also does not take cognizance of the cycle theory of business or security prices. It does not make any attempt to get at the causes at the back of stock market movements; but rather the movements of the averages, specially the primary movements, are used as barometer of business conditions. Knowledge of the business cycle which definitely correlates the movements of security prices with business and financial data of all kinds is absolutely necessary for a complete understanding of these manifestations of securities in the market. Daw's Theory places too much faith in the stock market as forecaster of business conditions to the exclusion of other

fundamental elements. Recent analysis makes it clear that security prices move in well-defined cycles. A cycle is composed of two movements one upward and the other downward. There are then well-defined cycles in security prices which are simultaneously working themselves out. They are the great, the major and the minor cycles. All three are in progress continuously but they develop independently of each other, operating as it were, as wheels within wheels. The major cycle and the great cycle are primarily cycles based upon values. These changing values are the result either of changing conditions in the money and investment market or changes in the intrinsic merit of the securities themselves, as affected by external conditions; while the minor cycle has, heretofore, proved the most puzzling and uncertain of all the cycles. Among the fundamental causes of security price movements the law of supply and demand is the most important being the basis of all price movements. It is not so much the particular supply of securities that is most influential in settling prices but the supply actually in the market, the floating supply, set over against the current supply of funds that determines whether prices will move one way or the other. Changes in the distribution of the national income as well as credit conditions, have a profound effect on security prices.

The last part has dealt with the "Investment Policy" and in the opinion of the author there are three most important qualities usually mentioned as being desired above all for "ideal" investment. These are—a high degree of safety both of principal and of interest, a large return to the investor and a broad market. The other qualities are: the probability of gain through increase in price; freedom from taxation; exemption from care and acceptable denominations. Although it is impossible to secure all the desirable qualities in a single investment issue, it is possible to make selections which combine several of these qualities to an advantageous degree. Over and above these the principle of diversification is recognised as an essential part of sound investment policy. Andrew Carnegie advocates the principle of concentration. The author of this book thinks that those who make investing a business may with profit confine their investments to a few well-chosen issues. Yet, no matter how attractive an issue might appear, it is the better part of wisdom to divide one's funds among several issues. This undoubtedly strengthens the position of the investor while sacrificing nothing by way of income, marketability or otherwise. Five different methods of diversification are discussed.

Next the author divides individual investors into three main groups, the business men, the professional and salaried men, and the small investors. He does not think that any particular investment can be earmarked as the business man's investment. However, they embrace most debenture bonds, preferred stocks and the better common stocks, specially those issued by industrial and public utility corporations in recent years. The chief characteristics of this group of investors are the moderate amount of risk assumed with correspondingly large interest or dividend payments. The investment of professional and salaried men should be confined to issues of great merit with a considerable degree of diversification. The

small investors, so says the author, should only indulge in the safest investments. These in order of the importance, are : opening of saving accounts ; taking of life insurance policy ; owning a house and lastly such investments as liberty bonds, mortgage bonds, municipal and state bonds and bonds of corporations provided they are well-secured.

It is true that the book is written on the basis of American conditions and the numerous statistical tables given in support of the author's arguments and conclusions are all from the same country, while Indian conditions differ materially. Still the basic principles and conclusions of the author will be of great use not only to American but also to Indian readers.

M. K. GHOSH.

THE ECONOMIC DEVELOPMENT OF RUSSIA from 1905—1911 by Margaret S. Miller, M.A., B.Com., Ph.D. P. S. King & Sons, Ltd. 12s. 6d.

In view of the hazy notions prevailing about Russia, the appearance of this volume is to be warmly welcomed. The book gives a fund of information, and reveals wide scholarship and painstaking research on the part of the author.

Dr. Miller believes that the history of Russia on the economic side is one continuous chapter, and seeks for explanations of present-day tendencies in the study of the country's past. With this view she has tried to place before her readers an accurate picture of Russia's economic development in the years preceding the Great War, and to trace the ramifications of State policy in the domain of the country's economic activity.

The book has been divided into five distinct parts. In the first part, after giving a rough geographical sketch of the country, the author proceeds to outline the doctrines of the Populist or the Narodnik school of thinkers as opposed to those of the Marxist school. The succeeding parts are devoted to the study of the Trade and Tariff policy, Banking and the State Budget, Means of Communication, and the Development of Industries. The predominantly agricultural character of Russia and her dependence on foreign capital for the support of her industries often forced the Government to choose between two evils, and their actions in furtherance of State policy were thus open to criticism and brought them into daily conflict with a section of the population. In the concluding portion of the book the author observes that the Soviet Government has gone even further than its predecessor in the matter of State control as regards economic policy, and predicts that it will have to face embarrassments created by this position.

As regards statistics, each part of the book has been provided with an index giving the relevant figures. But some of these are merely based on estimates, since the wide divergences between the figures obtained from different sources rendered the attainment of accuracy exceedingly difficult. The figures given in the book, however, may be taken as tolerably correct and not likely to vitiate conclusions based on these data.

Reference is made in the author's preface to the "obvious omissions" regarding the development of agriculture, the interesting study of the growth of the co-operative movement and the progress of internal trade, which she ascribes to lack of time. This is very much to be regretted, as they constitute some of the most important branches of Russia's economic advancement.

The easy flow of language and elegance of style in which the book is written immensely add to its value, and it is hoped that students interested in Russian problems will find the volume well worth their attention and study.

T. RAMACHANTRA RAO.

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SAFEGUARDING THE FUTURE OF PRIVATE BUSINESS by Wigginton E. Creed.  
Houghton Mifflin Co., New York. Pp. 35. Price 75 cents.

There are two main ideas in this book. One, that business morality to-day is of a higher standard than it was in the past; the other, that this has been effected not by any outside scourge on business but by the creation of a healthy public opinion. The old slogan was "Business is business," material development was insisted upon, and the ends sought were important enough to justify the means. But a transaction which was once generally considered adroit and on the whole legitimate, would be looked upon with overwhelming contempt and distrust in the business world of to-day. Further, evidence of moral improvement is found in industry where a revolution has been accomplished in the theory of liability for injuries to employees, in Poor Food laws intended to protect the health, and Blue Sky laws to protect the pocket of the investing public. Similarly in banking and in the public utilities sound doctrines of regulation have been adopted. Apart from legal regulations, the relation between the employer and the employee has also undergone a change. The present tendency is towards the development of personnel as a key to the solution of the problem. Now-a-days efforts are made to give a man the work for which he is best fitted; educational facilities for himself and for his family; the housing question is considered as both the problem and the responsibility of the employer; and finally the importance to the workman of a security of tenure in his job is recognised and appreciated.

The author's view that these changes have been effected by a healthy public opinion is correct so far, but I think it is equally true that this very public opinion has acted as an outside scourge on recalcitrant business to adapt itself to the new conditions.

The author has depicted an extraordinarily optimistic picture of business as it is to-day but my personal experience has been that in English, and especially in American factories, and in large departmental stores and offices, workmen, salesmen and clerks are engaged without any proper test of their fitness for a particular job, and are also discharged among those classes, at the whim of the executives. The author no doubt admits of these defects, which are still more numerous than he supposes, though indeed it is true that the number is gradually decreasing. But

in all fairness to the author due credit must be given to business in its efforts, at the present time, to improve and develop a science on the vexed problem of relations between the employer and the employee, and quite a good number of concerns in America have adopted scientific management; the present tendency being towards an increase in the number of such concerns. It is indeed true that, with the gradual increase in the adoption and extension of scientific management by the different concerns, not only would the problem of relations be better solved, but also the standard of business morality in general would improve.

R. C. CHOWDHURY.

### NOTICE.

Below is given a list of books that have been received in our office for purposes of review. Will those members of the Economic Association who are specialising in one subject or another of which the books treat kindly intimate to us the books they would like to review? On receipt of their intimations we would as far as possible send them the books they select.

We propose to keep a register of reviewers. In it we shall keep the names and addresses of specialists in different subjects. Books will be sent to them from time to time. We would request those to whom books are sent to kindly favour us with their reviews as soon as possible, not later than within two months of the receipt of books by them.

#### *List of Books Received for Review.*

1. THE LAND OF THE FIVE RIVERS by Hugh Kennedy Trevaskis, I.C.S. Oxford University Press.
2. THE ROAD TO PLenty by William T. Foster and Waddill Cathings. Houghton Mifflin Co.
3. CURRENCY AND CREDIT by R. G. Hawtrey. Longman.
4. PUNJAB VILLAGE SURVEYS—No. I. C. M. King, Civil and Military Gazette Press.
5. CURRENCY AND PRICES IN INDIA by C. N. Vakil and S. K. Muranjan. D. B. Taraporevala Sons & Co.
6. ECONOMICS OF FARM ORGANISATION AND MANAGEMENT by C. L. Holmes. D. C. Heath & Co.
7. CENTRAL BANKS by C. H. Kisch and W. A. Elkin. Macmillan & Co., Ltd.

8. BUSINESS WITHOUT A BUYER by William T. Foster and Waddill Catchings. Houghton Mifflin Co.
9. A STUDY IN PUBLIC FINANCE by A. C. Pigou. Macmillan.
10. A HISTORY OF RAILWAY IN IRELAND by J. C. Conroy. Longman.
11. THE FAMINE IN SOVIET RUSSIA (1919—23) by H. H. Fisher. Macmillan.
12. STUDIES IN ECONOMIC HISTORY by George Unwin. Macmillan.
13. BOOK-KEEPING THEORY AND PRACTICE by A. H. Rosenkamppf. The New York University Press.
14. ESSENTIAL OF INDIAN ECONOMICS by B. G. Sapre Tutorial Press.
15. SOCIAL HISTORY OF ENGLAND by F. Bradshaw. University Tutorial Press.
16. A BRIEF INTRODUCTION TO PUBLIC FINANCE by Kesari Singh Pancholy. Empire Press, Allahabad.
17. SHORT NOTES ON LAND REVENUE ADMINISTRATION AND SOME CONNECTED SUBJECTS by Kesari Singh Pancholy. Empire Press, Allahabad.
18. CHANAKY SOCIETY FOURTEENTH ANNUAL REPORT (1926 27). Patna Law Press.
19. THE MADURA SAURASHTRA COMMUNITY by K. R. Sastry. Bangalore Press.
20. THE FACTS OF INDUSTRY. Macmillan.
21. STATE-AIDED FINANCE by H. R. Scott. Wesleyan Mission Press.
22. CO-OPERATIVE CREDIT IN JAMUI SUBDIVISION by Sadashiva Prasad. Patna Law Press.
23. RECENT PROGRESS IN CHILD WELFARE LEGISLATION. William Hodson.

REVIEW EDITOR.

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